Greater Tzaneen Municipality
Financial statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996). GTEDA is a municipal entity performing the functions consistent with that of an entity.
Jurisdiction within which the Municipality operates	The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km).
Executive committee	
Mayor	Councillor DJ Mmetle
Members of the Executive Committee	Councillor DJ Mmetle Councillor MN Mboweni (Finance) Councillor M Makwala (Sport, Recreation, Art and Culture) Councillor RE Pohl Councillor GE Ntimbane (Special Programmes) Councillor RR Selomo (Infrastructure) Councillor ML Hlangwane (Health, Environment and Social Development) Councillor B Sekgotodi (Public Transport and Safety and Security) Councillor ML Ncha (Economic Development, Housing and Spatial Development Plan) Councillor NM Mahasha (Corporate Gov. and Shared Services) Councillor C Machimana (Speaker) Councillor MG Mangena (Chief Whip)

General Information

Ordinary Councillors	Councillor TK Nukeri (MPAC Chairperson) Councillor C Baloyi Councillor KO Banyini Councillor M Mokgomole Councillor AJ van Vuuren Councillor MM Letsoalo Councillor MD Mabape Councillor G Mabuza Councillor C Nkhwashu Councillor S Mahori Councillor MR Makhudu Councillor SC Makwala Councillor SJ Nkuna Councillor A Makwela Councillor C Mamogale Councillor MS Maunathala Councillor SP Masetla Councillor BM Mashava Councillor NA Masila Councillor L Matita Councillor M Sabela Councillor M Mbhalati Councillor MS Mboweni Councillor DQ Mhlari Councillor MD Hlangwini Councillor MM Mmola Councillor TS Manyama Councillor MM Mohale Councillor L Mohale Councillor T Mokgobi Councillor MJ Mokgoloboto Councillor ST Mushwana Councillor DG Mushwana Councillor M Malebati Councillor M McNeil Councillor MR Shingange Councillor ND Ndhlovu Councillor D Maake Councillor DL Ndove Councillor GG Nghondzweni Councillor RP Nghonyama Councillor P Machete Councillor S Mbhalati Councillor B Mashele Councillor J Mothiba Councillor ML Pudikabekwa Councillor MS Raganya Councillor PJ Ramodipa Councillor ME Ramolefo Councillor NR Rikhotso Councillor ML Mhlongo Councillor N Nkhwashu Councillor MH Magoro Councillor M Sibiya Councillor M Valentine Councillor NH Zandemela
Grading of local authority	Grade 4: High capacity
Chief Finance Officer (CFO)	Norah Mokgadi Lion
Accounting Officer	Pierre vd Heerver

General Information

Registered office	Agatha Street Civic Center Tzaneen 0850
Business address	Agatha Street Civic Center Tzaneen 0850
Postal address	PO Box 24 Tzaneen 0850
Bankers	ABSA
Website address	www.tzaneen.gov.za
Audit committee	SA Ngobeni (Chairperson) HN Masedi L Lankalebalela JM Mofokeng
Level of rounding	Rounding to the nearest Rand
AGSA (Auditor)	Auditor General Telephone number: 015 283 9338 E-mail address: lnevhutalu@agsa.co.za

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

GTEDA	Greater Tzaneen Economic Development Agency
SETA	Sector Education and Training Authority
DBSA	Development Bank of South Africa
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Programme
GTM	Greater Tzaneen Municipality

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The financial statements set out on pages 7 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Pierre vd Heerver
Acting Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km, and extends from Haenertsburg in the West, to Rubbervale in the East (85km), and just South of Modjadjiskloof in the North, to Trichardsdal in the South, (47 km).

The operating results for the year were satisfactory for the following reasons.

Financial review

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full detail appear in the annual financial statements.

Overview of the Municipality's Results

The main revenue sources of the Municipality are:
- Property rates;
- Service charges and
- Government grants and subsidies

Whilst the highest expenditure items are:
- Employee related costs;
- Bulk purchases and
- Repairs and maintenance

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owned by consumers. Furthermore, Council undertook a billing data cleanup exercise which yielded good results.

With regards to expenditure management the cost containment measures approved by Cabinet on 23 October 2013 have been introduced through the 2014/2015 budget process and will be complied with.

Net surplus of the Municipality was R 26 262 385 (2014: surplus R 138 806 067).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality at the date of this report is as follows:

Name	Nationality
Pierre vd Heerver	South African

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	17 368 355	16 343 697
Other financial assets	4	1 483 913	1 358 768
Operating lease asset	5	117 080	130 749
Receivables from exchange transactions	6	185 429 651	188 057 714
Receivables from non-exchange transactions	7	2 553 010	423 657
Consumer debtors	8	115 629 701	98 092 370
Cash and cash equivalents	9	27 977 498	23 822 041
		350 559 208	**328 228 996**
Non-Current Assets			
Investment property	10	189 945 000	182 157 000
Property, plant and equipment	11	1 670 008 187	1 661 261 664
Intangible assets	12	840 181	156 235
Other financial assets	4	7 557 365	6 646 402
		1 868 350 733	**1 850 221 301**
Total Assets		**2 218 909 941**	**2 178 450 297**
Liabilities			
Current Liabilities			
Other financial liabilities	13	13 122 036	12 014 682
Finance lease obligation	14	576 879	2 171 874
Payables from exchange transactions	15	143 104 321	148 221 598
VAT payable	16	29 626 345	28 223 389
Consumer deposits	17	21 032 333	18 436 179
Unspent conditional grants and receipts	18	60 435 514	44 079 479
Provisions	19	2 488 580	2 614 676
		270 386 008	**255 761 877**
Non-Current Liabilities			
Other financial liabilities	13	94 509 259	107 631 295
Finance lease obligation	14	253 826	415 637
Employee benefit obligation	20	76 324 822	63 783 845
Provisions	19	3 475 973	3 159 975
		174 563 880	**174 990 752**
Total Liabilities		**444 949 888**	**430 752 629**
Net Assets		**1 773 960 053**	**1 747 697 668**
Accumulated surplus		1 773 960 053	1 747 697 668

* See Note 60

Statement of Financial Performance

Figures in Rand	Notes	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	406 980 708	362 004 404
Rental of facilities and equipment		1 188 589	1 179 344
Interest received (trading)		12 057 486	10 868 709
Agency services		7 205 556	6 360 327
Licences and permits		711 014	540 614
Other income	22	27 323 317	19 184 092
Interest received - investment	55	2 381 124	2 164 145
Total revenue from exchange transactions		**457 847 794**	**402 301 635**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	74 098 025	66 345 319
Property rates - penalties imposed	23	5 368 139	4 770 262
Transfer revenue			
Government grants & subsidies	24	341 793 646	309 061 237
Donations	56	-	155 300 000
Fines		8 355 543	3 665 353
Total revenue from non-exchange transactions		**429 615 353**	**539 142 171**
Total revenue	26	**887 463 147**	**941 443 806**
Expenditure			
Employee related costs	27	244 948 968	249 469 283
Remuneration of councillors	28	20 078 193	19 031 200
Loss on inventory		98 966	(744 777)
Depreciation and amortisation	57	117 868 220	110 963 755
Impairment of assets	53	1 906 738	8 404 148
Finance costs	31	10 485 721	11 786 977
Debt impairment	58	25 603 260	21 745 127
Collection costs		358 549	175 731
Repairs and maintenance	32	32 133 079	20 522 496
Bulk purchases	33	267 856 116	239 064 261
Contracted services	34	39 993 885	40 643 481
Grants and subsidies paid	35	19 712 079	32 291 163
General expenses	36	78 068 922	57 546 548
Total expenditure		**859 112 696**	**810 899 393**
Operating surplus		**28 350 451**	**130 544 413**
Loss on disposal of assets and liabilities		(1 753 066)	(8 090 388)
Fair value adjustments	54	(335 000)	16 352 038
		(2 088 066)	**8 261 650**
Surplus for the year		**26 262 385**	**138 806 063**

* See Note 60

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 634 676 964	1 634 676 964
Adjustments		
Prior year adjustments	(25 785 363)	(25 785 363)
Balance at 01 July 2013 as restated*	**1 608 891 601**	**1 608 891 601**
Changes in net assets		
Surplus for the year	138 806 067	138 806 067
Total changes	138 806 067	138 806 067
Opening balance as previously reported	1 786 769 514	1 786 769 514
Adjustments		
Prior year adjustments	(39 071 846)	(39 071 846)
Restated* Balance at 01 July 2014 as restated*	**1 747 697 668**	**1 747 697 668**
Changes in net assets		
Surplus for the year	26 262 385	26 262 385
Total changes	26 262 385	26 262 385
Balance at 30 June 2015	**1 773 960 053**	**1 773 960 053**

* See Note 60

Greater Tzaneen Municipality
Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Notes	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Trade services, assessment rates and rental		444 194 895	398 320 568
Grants		358 149 681	320 958 441
Interest income		4 803 570	13 032 854
Agency fees, fines and other receipts		55 614 320	35 089 852
		862 762 466	767 401 715
Payments			
Employee costs		(252 789 390)	(256 463 750)
Suppliers		(422 065 730)	(313 776 936)
Finance costs		(10 287 956)	(11 331 028)
Grants and subsidies paid		(19 712 079)	(32 291 163)
		(704 855 155)	(613 862 877)
Net cash flows from operating activities	37	**157 907 311**	**153 538 838**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(128 270 787)	(106 360 575)
Proceeds from sale of property, plant and equipment	11	-	(8 090 388)
Purchase of investment property	10	(9 288 000)	(18 635 000)
Proceeds from sale of investment property	10	(253 066)	9 510 000
Purchase of other intangible assets	12	(934 640)	(110 879)
Proceeds from sale of financial assets		(1 036 108)	(2 512 024)
Net cash flows from investing activities		**(139 782 601)**	**(126 198 866)**
Cash flows from financing activities			
Repayment of other financial liabilities		(12 014 682)	(10 824 012)
Finance lease payments		(1 954 571)	(3 570 143)
Net cash flows from financing activities		**(13 969 253)**	**(14 394 155)**
Net increase in cash and cash equivalents		**4 155 457**	**12 945 817**
Cash and cash equivalents at the beginning of the year		23 822 041	10 876 224
Cash and cash equivalents at the end of the year	9	**27 977 498**	**23 822 041**

* See Note 60

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	429 176 643	-	**429 176 643**	406 980 708	**(22 195 935)**	
Rental of facilities and equipment	759 100	-	**759 100**	1 188 589	**429 489**	
Interest received (trading)	11 800 000	-	**11 800 000**	12 057 486	**257 486**	
Agency services	42 992 708	-	**42 992 708**	7 205 556	**(35 787 152)**	
Licences and permits	497 138	-	**497 138**	711 014	**213 876**	
Other income - (rollup)	6 030 496	31 909 096	**37 939 592**	27 323 317	**(10 616 275)**	
Interest received - investment	2 001 000	-	**2 001 000**	2 381 124	**380 124**	
Total revenue from exchange transactions	**493 257 085**	**31 909 096**	**525 166 181**	**457 847 794**	**(67 318 387)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64 000 000	-	**64 000 000**	74 098 025	**10 098 025**	
Property rates - penalties imposed	4 500 000	-	**4 500 000**	5 368 139	**868 139**	
Transfer revenue						
Government grants	359 345 000	61 834 052	**421 179 052**	341 793 646	**(79 385 406)**	
Fines, Penalties and Forfeits	3 210 136	-	**3 210 136**	8 355 543	**5 145 407**	
Total revenue from non-exchange transactions	**431 055 136**	**61 834 052**	**492 889 188**	**429 615 353**	**(63 273 835)**	
Total revenue	**924 312 221**	**93 743 148**	**1 018 055 369**	**887 463 147**	**(130 592 222)**	
Expenditure						
Employee cost	(144 432 848)	-	**(144 432 848)**	(244 948 968)	**(100 516 120)**	
Remuneration of councillors	(20 672 678)	-	**(20 672 678)**	(20 078 193)	**594 485**	
Loss on inventory	-	-	**-**	(98 966)	**(98 966)**	
Depreciation and amortisation	(120 057 710)	-	**(120 057 710)**	(117 868 218)	**2 189 492**	
Impairment loss/ Reversal of impairments	-	-	**-**	(1 906 738)	**(1 906 738)**	
Finance costs	(10 223 303)	-	**(10 223 303)**	(10 485 721)	**(262 418)**	
Bad debts impaired	(16 483 459)	-	**(16 483 459)**	(25 603 260)	**(9 119 801)**	
Collection costs	(200 000)	-	**(200 000)**	(358 549)	**(158 549)**	
Repairs and maintenance	(125 301 981)	(7 919 973)	**(133 221 954)**	(32 133 079)	**101 088 875**	
Bulk purchases	(268 820 574)	-	**(268 820 574)**	(267 856 116)	**964 458**	
Contracted Services	(39 058 872)	889 629	**(38 169 243)**	(39 993 885)	**(1 824 642)**	
Grants and subsidies paid	(17 528 499)	-	**(17 528 499)**	(19 712 079)	**(2 183 580)**	
General Expenses	(81 759 425)	(4 878 752)	**(86 638 177)**	(78 068 922)	**8 569 255**	
Total expenditure	**(844 539 349)**	**(11 909 096)**	**(856 448 445)**	**(859 112 694)**	**(2 664 249)**	
Operating surplus	**79 772 872**	**81 834 052**	**161 606 924**	**28 350 453**	**(133 256 471)**	
Loss on disposal of assets	2 300 000	-	**2 300 000**	(1 753 066)	**(4 053 066)**	
Fair value adjustments	-	-	**-**	(335 000)	**(335 000)**	
	2 300 000	**-**	**2 300 000**	**(2 088 066)**	**(4 388 066)**	
Surplus before taxation	**82 072 872**	**81 834 052**	**163 906 924**	**26 262 387**	**(137 644 537)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**82 072 872**	**81 834 052**	**163 906 924**	**26 262 387**	**(137 644 537)**	

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from trade services, assessment	497 677 000	-	**497 677 000**	444 194 456	**(53 482 544)**	
Grants	359 345 000	20 000 000	**379 345 000**	358 149 681	**(21 195 319)**	
Interest income	12 801 000	-	**12 801 000**	3 556 952	**(9 244 048)**	
Agency fees, fines and other receipts	54 429 907	56 706 579	**111 136 486**	56 851 568	**(54 284 918)**	
	924 252 907	**76 706 579**	**1 000 959 486**	**862 752 657**	**(138 206 829)**	
Payments						
Employee costs	(268 021 514)	-	**(268 021 514)**	(252 789 390)	**15 232 124**	
Suppliers and employees	(448 424 066)	(37 093 000)	**(485 517 066)**	(422 055 923)	**63 461 143**	
Finance costs	(10 223 303)	(525 000)	**(10 748 303)**	(10 288 120)	**460 183**	
Grants and subsidies paid	(17 528 499)	-	**(17 528 499)**	(19 712 080)	**(2 183 581)**	
	(744 197 382)	**(37 618 000)**	**(781 815 382)**	**(704 845 513)**	**76 969 869**	
Net cash flows from operating activities	**180 055 525**	**39 088 579**	**219 144 104**	**157 907 144**	**(61 236 960)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(170 903 970)	(61 834 052)	**(232 738 022)**	(128 376 120)	**104 361 902**	
Proceeds from sale of property, plant and equipment	2 305 000	-	**2 305 000**	(147 730)	**(2 452 730)**	
Purchase of investment property	-	-	**-**	(9 288 000)	**(9 288 000)**	
Purchase of other intangible assets	-	-	**-**	(934 640)	**(934 640)**	
Proceeds from sale of financial assets	-	-	**-**	(1 036 108)	**(1 036 108)**	
Net cash flows from investing activities	**(168 598 970)**	**(61 834 052)**	**(230 433 022)**	**(139 782 598)**	**90 650 424**	
Cash flows from financing activities						
Net movement on other financial liabilities	-	(12 014 682)	**(12 014 682)**	(13 969 089)	**(1 954 407)**	
Net cash flows from financing activities	**-**	**(12 014 682)**	**(12 014 682)**	**(13 969 089)**	**(1 954 407)**	
Net increase/(decrease) in cash and cash equivalents	11 456 555	(34 760 155)	**(23 303 600)**	4 155 457	**27 459 057**	
Cash and cash equivalents at the beginning of the year	10 876 224	12 946 041	**23 822 265**	23 822 041	**(224)**	
Cash and cash equivalents at the end of the year	**22 332 779**	**(21 814 114)**	**518 665**	**27 977 498**	**27 458 833**	

Accounting Policies

1. Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated otherwise.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.5 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Roads and paving		10 -30
• Pedestrian malls		20
• Electricity		10 - 30
• Water		15 - 20
• Sewerage		15 - 20
• Housing		30
Community	Straight line	
• Improvements		30
• Recreational facilities		20
• Security		3 - 5
Other assets	Straight line	
• Buildings		30
• Specialist vehicles		20
• Other vehicles		5 - 7
• Office equipment		3 - 5
• Furniture and fittings		7 - 10
• Watercraft		15
• Bins and containers		5 - 10
• Specialised plant and equipment		5 - 15
• Other items of plant and equipment		5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.6 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

1.7 Financial instruments (continued)

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.7 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.7 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

1.7 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in, first out method. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

1.13 Employee benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer and State plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Accounting Policies

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes in recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

1.16 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates (Including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.17 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.25 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.27 VAT

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can only be claimed as and when payments are made.

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset s recognised.

1.29 Change in accounting policies, estimates and errors

Changes in accounting policies that are effectived by management are aplied retrospectively in accordance with GRAP 3 requirements, except to the extent that is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in acoounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of eerors is applied retrospectievly in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 59 of the financial statements for details of corrections of errors recorded during the period under review.

1.30 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The standard does not however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or agent.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this standard in determining whether it is a principal or an agent arrangement. When an entity is party to a principa-agent arrangement, it shall apply the principles in this standard ti assess whether it is a principal or a agent before applying other standards of GRAP dealing with the recognition and measurement of revenue, expenses,assets and/or liabilities.

It furthermore covers the definition of a principal-agent arrangement, binding arrangement, assessing which entity benefits from transactions with third parties, recognition and measurement of revenue and expenses as a principal or agent as well as assets and liabilities as a principal or agent, presentation, disclosure by agents and principals, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance..

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard..

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Figures in Rand	2015	2014

3. Inventories

Consumable stores	10 618 355	9 168 697
Stands	6 750 000	7 175 000
	17 368 355	**16 343 697**

The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.

4. Other financial assets

At amortised cost		
Stand sale arrangements	1 483 913	1 358 768
Fixed deposits - unlisted	7 557 365	6 646 402
	9 041 278	**8 005 170**
Non-current assets		
At amortised cost	7 557 365	6 646 402
Current assets		
At amortised cost	1 483 913	1 358 768

Financial assets at amortised cost

Council's valuation of unlisted investments

Liberty	7 557 365	6 646 402

Reconciliation of stand sale arrangements

Stand sale arrangements	1 483 913	1 358 768
Debtor arrangements	-	885 134
	1 483 913	2 243 902
Provision for impairment	-	(885 134)
	1 483 913	1 358 768
Less: Current portion	(1 483 913)	(1 358 768)
Non-current portion of stand sale arrangements	**-**	**-**

Fair value of investments are at book value as at 30 June 2015.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

The fixed deposit of R 7557 365 has been ceded to Liberty to repay a loan of R 15 000 000 on maturity date.

Financial assets at amortised cost impaired

No provision for impairment of debtors arrangement has been made during the 2014/2015 financial year. An amount of R 885 134 has been impaired for the 2013/2014 financial year.

Figures in Rand	2015	2014

4. Other financial assets (continued)

Reconciliation of provision for impairment of financial assets at amortised cost

Debtor arrangements		
Opening balance	885 134	830 524
Provision for impairment	-	54 610
Transfer to other receivables	(885 134)	-
	-	**885 134**

Loans to staff and the public
To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

Stand sale arrangements
As from 1 March 2004 no loan agreement has been entered into for the sale of stands. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days at a fixed interest rate of 18%.

Debtor arrangements
Short-term debt repayment arrangements have been engaged in to during the 2013/2014 financial year enable debtors to pay outstanding consumer accounts.

5. Operating lease asset (accrual)

Current assets	117 080	130 749

Municipality as lessor: Future minimum lease repayments receivable		
Less than one year	69 882	63 534
Between one year and five years	215 811	242 815
More than five years	130 418	253 518
	416 111	**559 867**

6. Receivables from exchange transactions

Trade debtors	173 990 445	172 945 654
Prepayments	7 675 588	4 987 372
Land deposit	-	5 877 193
Other receivables	21 748 279	18 128 169
Provision for impairment of receivables	(17 984 661)	(13 880 674)
	185 429 651	**188 057 714**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	13 880 674	10 219 825
Provision for impairment	4 451 570	3 663 568
Amounts written off as uncollectible	(1 232 717)	(2 719)
Transfers from debtors arrangements	885 134	-
	17 984 661	**13 880 674**

Figures in Rand	2015	2014

6. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

7. Receivables from non-exchange transactions

	2015	2014
Fines	2 553 010	423 657

Receivables from non-exchange transactions

The Accounting Standard Board amended GRAP 1 applying the Probability Test on tthe Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probabilty of non-payment on the initiial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

Fine revenue of all fines issued during the current year amounted to R 39 561 197. The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amounts.

Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the fine. The credit period granted is considered to be consistent with established practices and legislation.

The municipality's historical experience in collection of traffic fines falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

8. Consumer debtors

	2015	2014
Gross balances		
Rates	96 978 900	85 798 682
Electricity	137 497 869	119 155 507
Refuse	44 209 805	39 814 848
	278 686 574	**244 769 037**
Less: Allowance for impairment		
Rates	(77 894 143)	(70 427 888)
Electricity	(47 450 938)	(43 709 492)
Refuse	(37 711 792)	(32 539 286)
	(163 056 873)	**(146 676 666)**
Net balance		
Rates	19 084 757	15 370 794
Electricity	90 046 931	75 446 014
Refuse	6 498 013	7 275 562
	115 629 701	**98 092 370**

Figures in Rand	2015	2014

8. Consumer debtors (continued)

Included in above is receivables from exchange transactions		
Electricity	90 046 930	75 446 015
Refuse	6 498 013	7 275 562
	96 544 943	**82 721 577**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	19 084 758	15 370 794
Net balance	**115 629 701**	**98 092 371**

Rates: Ageing		
Current (0 -30 days)	6 372 475	5 680 336
31 - 60 days	3 249 808	3 086 821
61 - 90 days	2 692 142	2 474 586
91 - 120 days	2 699 578	2 340 884
121 days and older	81 964 897	72 216 055
	96 978 900	**85 798 682**

Electricity: Ageing		
Current (0 -30 days)	50 189 140	60 916 939
31 - 60 days	7 922 319	8 089 171
61 - 90 days	4 294 646	4 031 428
91 - 120 days	8 807 605	3 840 650
121 days and older	66 284 159	42 277 318
	137 497 869	**119 155 506**

Refuse: Ageing		
Current (0 -30 days)	2 485 124	2 524 404
31 - 60 days	1 160 830	1 414 019
61 - 90 days	951 313	1 129 586
91 - 120 days	966 267	1 079 548
121 days and older	38 646 271	33 667 291
	44 209 805	**39 814 848**

Notes to the Financial Statements

Figures in Rand	2015	2014

8. Consumer debtors (continued)

Summary of debtors by customer classification

Residential property: Ageing		
Current (0 -30 days)	14 627 442	29 089 421
31 - 60 days	6 161 768	8 131 266
61 - 90 days	4 270 707	3 514 549
91 - 120 days	3 847 346	1 877 061
121 - 365 days	117 324 592	86 956 315
	146 231 855	**129 568 612**

Industrial and commercial: Ageing		
Current (0 -30 days)	27 282 667	28 395 859
31 - 60 days	5 273 513	6 167 683
61 - 90 days	3 031 460	2 934 425
91 - 120 days	7 810 368	3 485 971
121 days and older	64 696 917	56 377 939
	108 094 925	**97 361 877**

National and provincial government: Ageing		
Current (0 -30 days)	1 067 545	7 107 009
31 - 60 days	642 449	91 961
61 - 90 days	70 881	566 010
91 - 120 days	402 120	530 196
121 days and older	10 418 891	7 629 317
	12 601 886	**15 924 493**

Other: Ageing		
Current (0 -30 days)	3 284 317	5 906 133
31 - 60 days	913 816	1 093 221
61 - 90 days	187 917	1 992 570
91 - 120 days	551 049	2 125 962
121 days and older	15 691 465	11 264 530
	20 628 564	**22 382 416**

Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates:

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's consumer debtors.

8. Consumer debtors (continued)

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

Consumer debtors

No security is held for any of the accounts receivable.

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 163 056 873 (R 146 676 666) were impaired and provided for.

Indigent debtors to the amount of R 4771 482 (2014: R 3 292 112) have been written off as uncollectable in the current year.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

Reconciliation of allowance for impairment of consumer debtors

	2015	2014
Opening balance	146 676 666	131 941 827
Allowance for impairment	21 151 689	18 026 951
Amounts written off as uncollectible	(4 771 482)	(3 292 112)
	163 056 873	**146 676 666**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Bank balances	27 977 498	23 822 041

No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

No restrictions exist regarding the use of cash.

No portion of cash and cash equivalents is past due or impaired.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA Bank - Cheque account number - 126 085 0527	-	-	-	27 977 498	23 822 041	10 876 224
ABSA Bank - Cheque account number - 404 896 4222	27 911 345	23 820 599	10 091 268	-	-	-
ABSA Bank - Cheque account number - 908 197 4990	66 153	1 442	784 956	-	-	-
Total	**27 977 498**	**23 822 041**	**10 876 224**	**27 977 498**	**23 822 041**	**10 876 224**

Credit quality of Cash and cash equivalents

The credit quality of cash and cash equivalents that are neither past due nor impaired can be assessed by reference to the municipality's going concern ratio's which include current ratio, debt ratio and net income to net sales ratio.

Notes to the Financial Statements

Figures in Rand	2015	2014

10. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	189 945 000	-	189 945 000	182 157 000	-	182 157 000

Reconciliation of investment property - 2015

	Opening balance	**Additions**	**Disposals**	**Total**
Investment property	182 157 000	9 348 000	(1 560 000)	189 945 000

Reconciliation of investment property - 2014

	Opening balance	**Additions**	**Disposals**	**Total**
Investment property	173 032 000	19 805 000	(10 680 000)	182 157 000

Pledged as security

No investment properties was pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The Greater Tzaneen Municipality valuation is based on the valuation roll and is reviewed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	108 830 310	-	108 830 310	108 830 310	-	108 830 310
Infrastructure	2 118 681 189	(752 516 005)	1 366 165 184	1 988 186 000	(646 712 830)	1 341 473 170
Community	79 824 808	(20 132 663)	59 692 145	73 705 052	(11 855 543)	61 849 509
Work in progress	104 890 018	-	104 890 018	112 741 749	-	112 741 749
Other assets	66 082 897	(39 701 731)	26 381 166	64 116 988	(32 185 582)	31 931 406
Leased assets	12 458 610	(8 409 246)	4 049 364	11 984 909	(7 549 389)	4 435 520
Total	**2 490 767 832**	**(820 759 645)**	**1 670 008 187**	**2 359 565 008**	**(698 303 344)**	**1 661 261 664**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	108 830 310	-	-	-	-	-	108 830 310
Infrastructure	1 341 473 170	133 788 243	(105 336)	-	(107 084 157)	(1 906 736)	1 366 165 184
Community	61 849 509	-	-	-	(2 157 364)	-	59 692 145
Work in progress	112 741 749	126 059 527	-	(133 911 258)	-	-	104 890 018
Other assets	31 931 406	1 965 908	-	-	(7 516 147)	-	26 381 167
Leased assets	4 435 520	473 702	-	-	(859 858)	-	4 049 364
	1 661 261 664	**262 287 380**	**(105 336)**	**(133 911 258)**	**(117 617 526)**	**(1 906 736)**	**1 670 008 188**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	109 500 310	-	(670 000)	-	-	-	108 830 310
Infrastructure	1 189 867 958	257 317 490	-	-	(97 308 130)	(8 404 148)	1 341 473 170
Community	64 458 327	-	-	-	(2 608 818)	-	61 849 509
Work in progress	108 014 041	108 387 674	-	(103 659 966)	-	-	112 741 749
Other assets	39 933 839	924 026	(453 002)	-	(8 473 457)	-	31 931 406
Leased assets	7 108 304	-	(185 647)	-	(2 487 137)	-	4 435 520
	1 518 882 779	**366 629 190**	**(1 308 649)**	**(103 659 966)**	**(110 877 542)**	**(8 404 148)**	**1 661 261 664**

Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 280 296	(440 115)	840 181	345 656	(189 421)	156 235

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	156 235	934 640	(250 694)	840 181

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	131 570	110 879	(86 214)	156 235

Pledged as security

No intangible assets have been pledged as security for any liabilities.

13. Other financial liabilities

	2015	2014
At amortised cost		
Annuity loan - DBSA	36 566 940	37 885 539
Annuity loan - ABSA	24 222 191	27 269 848
Annuity loan - INCA	11 483 319	13 964 894
Annuity loan - Standard Bank	20 358 845	25 525 695
DBSA local registered stock loan	15 000 000	15 000 000
	107 631 295	**119 645 976**
Total other financial liabilities	**107 631 295**	**119 645 976**
Non-current liabilities		
At amortised cost	94 509 259	107 631 295

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Other financial liabilities (continued)

Current liabilities		
At amortised cost	13 122 036	12 014 682

Annuity loan - Standard Bank
This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,96% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

Annuity loan - ABSA
This loan has been split into two allocations of R25 140 000 and R9 640 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 31 July 2015 respectively.

Annuity loan - DBSA
A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

Annuity loan - INCA
The loan has been taken up to finance the purchase of land. It bears interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

Loan stock: DBSA (Excelsior 1 000 investment)
An investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate and will be redeemed on 30 September 2019.

Undrawn borrowings
There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2015.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

Figures in Rand	2015	2014

14. Finance lease obligation

Minimum lease payments due		
- within one year	633 146	2 340 528
- in second to fifth year inclusive	267 567	433 118
	900 713	2 773 646
less: future finance charges	(70 008)	(186 135)
Present value of minimum lease payments	**830 705**	**2 587 511**

Present value of minimum lease payments due		
- within one year	576 879	2 171 874
- in second to fifth year inclusive	253 826	415 637
	830 705	**2 587 511**

Non-current liabilities	253 826	415 637
Current liabilities	576 879	2 171 874
	830 705	**2 587 511**

The average lease term was 3 to 5 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and other escalate. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated during the reporting period.

15. Payables from exchange transactions

Trade payables	82 876 312	87 536 122
Payments received in advanced	7 675 588	4 987 372
Staff leave	29 004 501	26 057 784
Retention	13 554 509	12 789 986
Unknown direct deposits	2 431 771	9 461 596
Other payables	1 465 538	1 115 526
13th Cheque	6 096 102	6 273 212
	143 104 321	**148 221 598**

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

16. VAT payable

Net VAT payable	29 626 345	28 223 389

VAT is payable to SARS on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made.

17. Consumer deposits

Electricity	21 032 333	18 436 179

Guarantess held in lieu of electricity deposits	3 552 430	3 628 130

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Consumer deposits (continued)

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated . In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given to business consumers on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the municiplaity can request the guarantee amounts from the consumers bank as payment for the outstanding accounts.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Grants - other	60 435 514	44 079 479

Movement during the year

	2015	2014
Balance at the beginning of the year	44 079 480	31 536 518
Additions during the year	143 628 000	117 746 697
Income recognition during the year	(95 291 526)	(91 398 908)
Administration fee recognised during the year	(15 529 746)	(13 680 194)
Ovespending adjustment	(16 450 694)	4 690 397
Rollover adjustment	-	(4 815 031)
	60 435 514	**44 079 479**

Refer to note 24 for reconciliation of unspent conditional grants.

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reduction due to re-measurement	Total
Provision for rehabilitation of landfill site	3 159 975	315 998	-	3 475 973
Provision for performance bonusses	2 614 676	-	(126 096)	2 488 580
	5 774 651	**315 998**	**(126 096)**	**5 964 553**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2 872 705	287 270	-	3 159 975
Provision for performance bonusses	273 487	2 614 676	(273 487)	2 614 676
	3 146 192	**2 901 946**	**(273 487)**	**5 774 651**

	2015	2014
Non-current liabilities	3 475 973	3 159 975
Current liabilities	2 488 580	2 614 676
	5 964 553	**5 774 651**

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Provisions (continued)

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

Provision for performance bonusses

Performance bonusses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonusses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonusses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

20. Employee benefit obligations

Defined benefit plan

The total amount recognised in the statement of financial position is as follows:

	2015	2014
Carrying value		
Defined benefit obligation - Long service awards	10 830 506	8 187 516
Defined benefit obligation - Post-employment health care benefit	65 494 316	55 596 329
	76 324 822	**63 783 845**

Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arragement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2015.

The amount recognised in the statement of financial position is as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	65 494 316	55 596 329

	2015	2014
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	55 596 329	47 819 496
Benefits paid	(1 482 060)	(1 328 538)
Net expense recognised in the statement of financial performance	11 380 047	9 105 371
	65 494 316	**55 596 329**

	2015	2014
Net expense recognised in the statement of financial performance		
Current service cost	2 943 021	2 630 424
Interest cost	4 982 558	4 205 626
Actuarial (gains)/ losses	3 454 468	2 269 321
	11 380 047	**9 105 371**

	2015	2014
Calculation of actuarial gains and losses		
Actuarial (gains)/ losses – Obligation	3 454 468	2 269 321
	3 454 468	**2 269 321**

Figures in Rand	2015	2014

20. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate used	8.99 %	9.08 %
Health care cost inflation rate	8.10 %	8.25 %
Net discount rate	0.82 %	0.77 %
Average retirement age	61	61

Best estimate of contributions expected to be paid

Expected benefits to be paid	1 662 276	1 441 356

Other assumptions

The sensitivity analysis is based on the total liability which includes water and severage.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect of aggregate service cost and interest cost	10 744 400	8 183 200
Effect on the defined benefit obligation	83 810 000	79 810 000
Decrease		
Effect on the aggregate service cost and interest cost	(7 510 500)	(5 767 700)
Effect on the defined benefit obligation	(61 575 000)	(58 930 000)

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	65 494 316	55 596 329	47 819 496	44 563 828	38 134 690
Surplus (deficit)	(65 494 316)	(55 596 329)	(47 819 496)	(44 563 828)	(38 134 690)

Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 665 (2014: 655) employees that are entitled to long service leave awards on 30 June 2015. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	10 830 506	8 187 516

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	8 187 516	7 721 047
Benefits paid	(1 539 426)	(960 653)
Net expense recognised in the statement of financial performance	4 182 416	1 427 122
	10 830 506	**8 187 516**

Figures in Rand	2015	2014

20. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	813 587	1 146 564
Interest cost	610 673	522 633
Actuarial (gains) losses	2 758 156	(242 075)
	4 182 416	**1 427 122**

Calculation of actuarial gains and losses

	2015	2014
Actuarial (gains) losses – Obligation	2 758 156	(242 075)

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	7.96 %	7.93 %
Expected increase in salaries	7.03 %	7.10 %
Net discount rate	0.87 %	0.77 %
Average retirement age	61	61

Other assumptions

The sensitivity analysis is based on the total liability which includes water and severage.

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	2015	2014
Increase		
Effect of aggregate service cost and interest cost	1 699 200	-
Effect on the defined benefit obligation	12 535 000	-
Decrease		
Effect of aggregate service cost and interest cost	(1 461 100)	-
Effect on the defined benefit obligation	(11 083 000)	-

Amounts for the current and previous four years are as follows:

	2015 **R**	**2014** **R**	**2013** **R**	**2012** **R**	**2011** **R**
Defined benefit obligation	10 830 506	8 187 516	7 721 047	5 588 929	4 720 463
Surplus (deficit)	(10 830 506)	(8 187 516)	(7 721 047)	(5 588 929)	(4 720 463)

Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

	2015	2014
The amount recognised as an expense for defined contribution plans is	43 146 478	24 460 649

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans. The amounts disclosed above includes an amount of R 3 740 035 which represents the contributions of councillors.

Notes to the Financial Statements

Figures in Rand	2015	2014

20. Employee benefit obligations (continued)

Joint Municipal Pension Fund

The last valuation of the Joint Municipal Pension Fund was done on 30 September 2014.

Funding level (including solvency): 107.3%

Contributions made during the year	175 631	204 000

Municipal Employees pension fund

The last valuation of the Municipal Employees Pension Fund was done on 28 February 2011. This represents a funding level of 107.9%.

Contributions made during the year	1 660 007	1 478 387

Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2014. The fund is financial sound for the requirements of the Pension Fund Act.

Contributions made during the year	7 259 869	6 886 199

Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

Contribution made during the year	30 310 935	27 706 160

21. Service charges

Sale of electricity	379 771 097	337 019 276
Sale of prepaid electricity	579 389	947 810
Indigent charges	344 462	201 042
Refuse removal	25 815 532	23 745 602
Other service charges	470 228	90 674
	406 980 708	**362 004 404**

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

Notes to the Financial Statements

Figures in Rand	2015	2014

22. Other income

Library services	7 952	5 390
Insurance claims	892 682	5 100 535
Valuation certificates	64 565	65 582
Environmental health services	34 276	32 297
Credit control actions	1 181 085	1 148 976
Sundry income	2 236 712	4 305 560
Motor vehicle and drivers licence	8 669 282	8 525 752
Recoveries	911 643	-
Unknown deposit not claimed	7 675 960	-
PMU agent commission	4 443 320	-
Uncliamed retention	1 205 840	-
	27 323 317	**19 184 092**

23. Property rates

Rates received

Residential	34 370 193	30 001 435
Commercial	22 878 111	21 610 537
State	5 132 629	4 440 272
Other	11 717 092	10 293 075
	74 098 025	66 345 319
Property rates - penalties imposed	5 368 139	4 770 262
	79 466 164	**71 115 581**

Valuations

	R'000	R'000
Residential	5 219 584	5 122 380
Commercial	1 946 025	1 936 097
State	420 644	412 605
Municipal	173 174	176 665
Agriculture	4 372 000	4 338 045
Other	11 723	63 218
	12 143 150	**12 049 010**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

Figures in Rand	2015	2014

24. Government grants and subsidies

Operating grants		
Equitable share	235 716 694	207 762 000
National MSIG	692 071	105 283
Neighbourhood Grant	8 012 015	16 899 306
Finance Management Grant	1 600 000	1 550 000
SETA	19 660	231 000
Municipal Infrastructure Grant	82 132 326	58 498 502
National - Electrification Grant	5 700 000	21 633 488
DOE Grant	5 886 659	484 976
EPWP	2 034 221	1 896 682
	341 793 646	**309 061 237**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Drought Relief Programme

Balance unspent at beginning of year	30 702	30 702
Conditions still to be met - transferred to liabilities	**30 702**	**30 702**

Conditions still to be met - remain liabilities (see note 18).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

SETA

Balance unspent at beginning of year	462 559	693 559
Conditions met - transferred to revenue	(19 660)	(231 000)
Conditions still to be met - transferred to liabilities	**442 899**	**462 559**

Conditions still to be met - remain liabilities (see note 18).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

Municipal Infrastructure Grant

Balance unspent at beginning of year	19 218 617	7 367 440
Rollover adjustment	-	32 560
Current-year receipts	111 083 000	73 247 000
Conditions met - transferred to revenue	(72 045 900)	(51 314 476)
Administration fees (own revenue)	(4 443 320)	(7 184 027)
Agent commission	(10 086 426)	(2 929 880)
Conditions still to be met - transferred to liabilities	**43 725 971**	**19 218 617**

Conditions still to be met - remain liabilities (see note 18).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

24. Government grants and subsidies (continued)

Department of Minerals and Energy

	2015	2014
Balance unspent at beginning of year	33 186	33 186
Conditions still to be met - transferred to liabilities	**33 186**	**33 186**

Conditions still to be met - remain liabilities (see note 18).

The main aim of this grant was to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

National Electrification Grant

	2015	2014
Balance unspent at beginning of year	-	8 182 618
Rollover adjustment	-	(82 618)
Current-year receipts	6 000 000	10 000 000
Conditions met - transferred to revenue	(5 000 000)	(18 976 744)
Administration fees	(700 000)	(2 656 744)
Agent commission (own revenue)	(300 000)	(500 000)
Overspending adjustment	-	4 033 488
Conditions still to be met - transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant was used for electrification of farm labour housing and schools.

Community Based Projects

	2015	2014
Balance unspent at beginning of year	356 878	356 878
Conditions still to be met - transferred to liabilities	**356 878**	**356 878**

Conditions still to be met - remain liabilities (see note 18).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards. This process took place from December 2003 to date.

Neighbourhood Grant

	2015	2014
Balance unspent at beginning of year	16 450 694	14 940 502
Rollover adjustment	(16 450 694)	(4 940 502)
Current-year receipts	21 951 000	23 350 000
Conditions met - transferred to revenue	(8 013 015)	(16 899 306)
Conditions still to be met - transferred to liabilities	**13 937 985**	**16 450 694**

Conditions still to be met - remain liabilities (see note 18).

These funds were used to embellish the entrances of various towns and villages.

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Government grants and subsidies (continued)

Cleanest Town

Balance unspent at beginning of year	450 766	450 766
Conditions still to be met - transferred to liabilities	**450 766**	**450 766**

Conditions still to be met - remain liabilities (see note 18).

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.

MSIG Establishment Grant

Balance unspent at beginning of year	810 717	26 002
Rollover adjustment	-	(2)
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(692 071)	(105 283)
Conditions still to be met - transferred to liabilities	**1 052 646**	**810 717**

Conditions still to be met - remain liabilities (see note 18).

The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.

Upgrade of sport facilities

Balance unspent at beginning of year	100 623	100 623
Conditions still to be met - transferred to liabilities	**100 623**	**100 623**

Conditions still to be met - remain liabilities (see note 18).

This grant was used to upgrade sport facilities in towns and villages.

Finance Management Grant

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant is used to support financial management.

DOE Grant

Balance unspent at beginning of year	6 164 740	-
Current-year receipts	-	6 999 700
Conditions met - transferred to revenue	(5 886 659)	(425 417)
Administration fees	-	(59 558)
Agent commission	-	(349 985)
Conditions still to be met - transferred to liabilities	**278 081**	**6 164 740**

Conditions still to be met - remain liabilities (see note 18).

Energy efficiency and demand side management. Retrofitting of old street lights.

Figures in Rand	2015	2014

24. Government grants and subsidies (continued)

EPWP Grant

Rollover adjustment	-	175 531
Current-year receipts	2 060 000	1 710 000
Conditions met - transferred to revenue	(2 034 221)	(1 896 682)
Overspending adjustment	-	11 151
Conditions still to be met - transferred to liabilities	**25 779**	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant is used for rural waste removal.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

All grant funding destined for the Municipality in terms of the annual Devision of Revenue Act, with the exception of R 16 450 694, due to poor performance on the NDPG allocation, has been received.

25. Donations received

Greater Tzaneen Municipality received a doation of roads as per Gazette number 2372 of 13 June 2014. Due to absence of the cost information on the donated roads, these roads were accounted for at deemed cost / fair value of R 155 300 000 in line with the Municipality's Assets Management policy and GRAP.

26. Revenue

Service charges	406 980 708	362 004 404
Rental of facilities and equipment	1 188 589	1 179 344
Interest received (trading)	12 057 486	10 868 709
Agency services	7 205 556	6 360 327
Licences and permits	711 014	540 614
Other income - (rollup)	27 323 317	19 184 092
Interest received - investment	2 381 124	2 164 145
Property rates	74 098 025	66 345 319
Property rates - penalties imposed	5 368 139	4 770 262
Government grants & subsidies	341 793 646	309 061 237
Public contributions and donations	-	155 300 000
Fines	8 355 543	3 665 353
	887 463 147	**941 443 806**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	406 980 708	362 004 402
Rental of facilities and equipment	1 188 589	1 179 344
Interest received (trading)	12 057 486	10 868 709
Agency services	7 205 556	6 360 327
Licences and permits	711 014	540 614
Other income - (rollup)	27 323 317	19 184 092
Interest received - investment	2 381 124	2 164 145
	457 847 794	**402 301 633**

Figures in Rand	2015	2014

26. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	74 098 025	66 345 319
Property rates - penalties imposed	5 368 139	4 770 262
Transfer revenue		
Government grants & subsidies	341 793 646	309 061 237
Public contributions and donations	-	155 300 000
Fines	8 355 543	3 665 353
	429 615 353	**539 142 171**

27. Employee related costs

Salaries and wages	165 552 632	169 736 239
Performance bonus	16 104	2 772 928
Social contributions	47 881 940	42 974 145
Travel allowance	9 592 777	9 014 828
Overtime payments	19 348 526	21 274 503
Housing allowances	2 556 987	1 302 467
Less: Employee costs included in other expenses	2	2 394 173
	244 948 968	**249 469 283**

The decrease in employee related costs from the previous year is as a result of vacant positions not filled during the year

No advances were made to employees during the year.

Remuneration of Municipal Manager

Annual Remuneration	609 902	1 073 731
Car Allowance	105 000	180 000
Contributions to UIF, Medical and Pension Funds	51 715	62 644
Telephone allowance	8 750	-
Leave pay	198 229	-
	973 596	**1 316 375**

The municipal manager was appointed on 1 December 2012, but left office on 30 April 2015. The director of electrical engineering services was acting as municipal manager at the date of this report.

Remuneration of Chief Finance Officer

Annual Remuneration	765 429	844 843
Car Allowance	284 958	285 280
Contributions to UIF, Medical and Pension Funds	164 360	151 390
Leave pay	36 475	36 475
Telephone allowance	12 000	-
Acting allowance	52 798	-
	1 316 020	**1 317 988**

The chief finance officer was appointed on 1 August 2012.

The Chief Financial Officer acted as municipal manager for the period 1 December 2014 to 31 May 2015.

Figures in Rand	2015	2014

27. Employee related costs (continued)

Director Community Services

Annual Remuneration	789 598	688 541
Car Allowance	164 104	164 104
Performance Bonuses	-	117 949
Contributions to UIF, Medical and Pension Funds	157 508	134 237
Leave pay	32 889	32 889
Telephone allowance	12 000	-
Acting allowance	103 123	-
	1 259 222	**1 137 720**

Director Civil Engineering

Annual Remuneration	826 805	815 117
Car Allowance	168 000	168 000
Contributions to UIF, Medical and Pension Funds	100 815	89 491
Telephone allowance	12 000	-
	1 107 620	**1 072 608**

Director Planning and Economic Development

The position of Director Planning and Economic Development was vacant during the prior financial years.

Director Corporate Services

Annual Remuneration	820 305	699 186
Car Allowance	209 000	209 000
Contributions to UIF, Medical and Pension Funds	36 324	23 294
Telephone allowance	11 000	-
Leave pay	143 544	-
	1 220 173	**931 480**

The director corporate services resigned with effect from 31 May 2015 and the position was vacant at 30 June 2015.

Director Electrical Engineering

Annual Remuneration	952 964	875 523
Car Allowance	10 000	60 000
Contributions to UIF, Medical and Pension Funds	137 532	144 774
Telephone allowance	12 000	-
	1 112 496	**1 080 297**

Figures in Rand	2015	2014

28. Remuneration of councillors

Executive Major	771 504	729 146
Executive Committee allowance	1 616 961	1 565 429
Speaker and full-time councillors' allowances	3 975 055	3 902 538
Other councillors' allowances	13 714 673	12 834 087
	20 078 193	**19 031 200**

In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time secretary, one personal assistant and a gender, youth and disability programme.

The allowances and benifits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisage in section 219 of the Constitution.

Notes to the Financial Statements

29. Employees remuneration

Councillors

2015

	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	176 524	60 441	20 868	1 736	259 569
MC Nkhwashu	180 124	60 441	20 868	1 734	263 167
RM Mokgomole	178 924	60 441	20 868	1 735	261 968
PJ Sekgotodi	230 803	76 934	20 868	1 961	330 566
RE Pohl	230 803	76 934	20 868	2 165	330 770
ML Hlangwane	217 336	72 445	20 868	2 128	312 777
MM Makwala	217 336	72 445	20 868	2 127	312 776
GE Ntimbane	217 331	72 445	20 868	2 131	312 775
MN Mboweni	419 642	139 880	20 868	3 483	583 873
S RR Selomo	419 642	139 880	20 868	3 487	583 877
C Machimana	514 122	74 719	20 868	4 084	613 793
JHS Mbhalati	221 726	73 908	20 868	1 926	318 428
MR Shingange	221 726	73 908	20 868	2 013	318 515
NM Mahasha	365 772	121 924	20 868	3 580	512 144
MG Mangena	365 772	121 924	20 868	3 518	512 082
ML Ncha	365 772	121 924	20 868	3 584	512 148
TK Nukeri	365 772	121 924	20 868	3 577	512 141
DJ Mmetle	559 522	186 507	20 868	4 607	771 504
SS MM Mmola	167 856	55 952	20 868	-	244 676
SS MJ Mokgoloboto	167 856	55 952	20 868	-	244 676
TS Mushwana	167 856	55 952	20 868	-	244 676
MJ Mothiba	167 856	55 952	20 868	1 455	246 131
C Baloyi	167 856	55 952	20 868	1 455	246 131
AE Jansen van Vuuren	167 856	55 952	20 868	1 455	246 131
S Mahori	167 856	55 952	20 868	1 455	246 131
SP Masetla	167 856	55 952	20 868	1 455	246 131
TL Mhlongo	167 856	55 952	20 868	1 455	246 131
DL Ndove	167 856	55 952	20 868	1 455	246 131
MS Raganya	167 856	55 952	20 868	1 455	246 131
ME Ramolefo	167 856	55 952	20 868	1 455	246 131
M Sibiya	167 856	55 952	20 868	1 455	246 131
MD Mabape	167 856	55 952	20 868	1 455	246 131
DG Mushwana	167 856	55 952	20 868	1 455	246 131
NL Mohale	167 856	55 952	20 868	1 455	246 131
TL Matita	167 856	55 952	20 868	1 455	246 131
ML Mokgobi	167 856	55 952	20 868	1 461	246 137
GQ Mabuza	167 856	55 952	20 868	1 459	246 135
LM Valentine	167 856	55 952	20 868	1 455	246 131
MF Mbhalati	167 856	55 952	20 868	1 455	246 131
MR Makhudu	167 856	55 952	20 868	1 455	246 131
MM Mohale	167 856	55 952	20 868	1 455	246 131
BM Mashava	167 856	55 952	20 868	1 455	246 131
NR Rikhotso	167 856	55 952	20 868	1 455	246 131
DQ Mhlarhi	167 856	55 952	20 868	1 455	246 131
RP Nghonyama	167 856	55 952	20 868	1 455	246 131
NH Zandamela	167 856	55 952	20 868	1 455	246 131
OK Banyini	167 856	55 952	20 868	1 455	246 131
MS Mboweni	167 856	55 952	20 868	1 455	246 131
SC Makwala	167 856	55 952	20 868	1 455	246 131
ND Ndhlovu	167 856	55 952	20 868	1 455	246 131
GG Nghondzweni	167 856	55 952	20 868	1 455	246 131
NA Masila	167 856	55 952	20 868	1 457	246 133
ML Pudikabekwa	167 856	55 952	20 868	1 455	246 131
PJ Ramodipa	167 856	55 952	20 868	1 457	246 133
MM Letsoalo	167 856	55 952	20 868	1 455	246 131

29. Employees remuneration (continued)

MA Makwela	167 856	55 952	20 868	1 455	246 131
MC Mamogale	167 856	55 952	20 868	1 356	246 032
M Sabela	167 856	55 952	20 868	1 455	246 131
MR Mc Neil	167 856	55 952	20 868	1 603	246 279
MH Magoro	167 856	55 952	20 868	1 455	246 131
DT Maake	167 856	55 952	20 868	1 455	246 131
TS Manyama	167 856	55 952	20 868	1 604	246 280
MA Malebati	167 856	55 952	20 868	1 395	246 071
N Nkhwashu	167 856	55 952	20 868	1 604	246 280
MB Mashele	167 856	55 952	20 868	1 604	246 280
MD Hlangwini	167 856	55 952	20 868	1 416	246 092
PP Machethe	227 711	75 903	20 868	2 052	326 534
SM Maunatlala	221 723	73 913	20 868	1 948	318 452
	13 975 171	**4 564 536**	**1 419 024**	**119 462**	**20 078 193**

29. Employees remuneration (continued)

2014

	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	212 938	72 579	20 868	1 702	308 087
MC Nkhwashu	216 338	72 579	20 868	1 911	311 696
RM Mokgomole	215 538	72 579	20 868	1 910	310 895
PJ Sekgotodi	217 738	72 579	20 868	1 907	313 092
RE Pohl	217 738	72 579	20 868	2 068	313 253
SM Maunatlala	395 888	131 963	20 868	2 736	551 455
RR Selomo	395 888	131 963	20 868	3 361	552 080
C Machimana	410 030	131 963	20 868	2 935	565 796
JHS Mbhalati	395 888	131 963	20 868	3 318	552 037
MR Shingange	394 188	131 963	20 868	2 936	549 955
DJ Mmetle	527 851	175 950	20 868	4 477	729 146
MM Mmola	158 355	52 785	20 868	-	232 008
MJ Mokgoloboto	158 355	52 785	20 868	-	232 008
TS Mushwana	158 355	52 785	20 868	-	232 008
MJ Mothiba	158 355	52 785	20 868	1 416	233 424
C Baloyi	158 355	52 785	20 868	1 416	233 424
AE Jansen van Vuuren	158 355	52 785	20 868	1 416	233 424
S Mahori	158 355	52 785	20 868	1 416	233 424
MG Mangena	158 355	52 785	20 868	1 416	233 424
SP Masetla	158 355	52 785	20 868	1 416	233 424
TL Mhlongo	158 355	52 785	20 868	1 399	233 407
ML Ncha	158 355	52 785	20 868	1 416	233 424
DL Ndove	158 355	52 785	20 868	1 416	233 424
TK Nukeri	158 355	52 785	20 868	1 416	233 424
MS Raganya	158 355	52 785	20 868	1 416	233 424
ME Ramolefo	158 355	52 785	20 868	1 416	233 424
M Sibiya	158 355	52 785	20 868	1 416	233 424
MD Mabape	158 355	52 785	20 868	1 416	233 424
DG Mushwana	158 355	52 785	20 868	1 417	233 425
NL Mohale	158 355	52 785	20 868	1 416	233 424
MM Makwala	158 355	52 785	20 868	1 416	233 424
TL Matita	158 355	52 785	20 868	1 416	233 424
ML Mokgobi	158 355	52 785	20 868	1 164	233 172
GQ Mabuza	158 355	52 785	20 868	1 416	233 424
LM Valentine	158 355	52 785	20 868	1 416	233 424
MF Mbhalati	158 355	52 785	20 868	1 245	233 253
MR Makhudu	158 355	52 785	20 868	1 416	233 424
MM Mohale	158 355	52 785	20 868	1 416	233 424
NM Mahasha	158 355	52 785	20 868	1 417	233 425
ML Hlangwane	158 355	52 785	20 868	1 416	233 424
GE Ntimbane	158 355	52 785	20 868	1 416	233 424
BM Mashava	158 355	52 785	20 868	1 416	233 424
NR Rikhotso	158 355	52 785	20 868	1 416	233 424
DQ Mhlarhi	158 355	52 785	20 868	1 416	233 424
RP Nghonyama	158 355	52 785	20 868	1 416	233 424
NH Zandamela	158 355	52 785	20 868	1 416	233 424
OK Banyini	158 355	52 785	20 868	1 416	233 424
MS Mboweni	158 355	52 785	20 868	1 416	233 424
SC Makwala	158 355	52 785	20 868	1 348	233 356
ND Ndhlovu	158 355	52 785	20 868	1 416	233 424
GG Nghondzweni	158 355	52 785	20 868	1 416	233 424
NA Masila	158 355	52 785	20 868	1 416	233 424
ML Pudikabekwa	158 355	52 785	20 868	1 416	233 424
PJ Ramodipa	158 355	52 785	20 868	1 416	233 424
MM Letsoalo	158 355	52 785	20 868	1 416	233 424
MA Makwela	158 355	52 785	20 868	1 416	233 424
MC Mamogale	158 355	52 785	20 868	1 392	233 400

Notes to the Financial Statements

29. Employees remuneration (continued)

M Sabela	158 355	52 785	20 868	1 416	233 424
MR Mc Neil	158 355	52 785	20 868	1 533	233 541
MH Magoro	158 355	52 785	20 868	1 416	233 424
DT Maake	158 355	52 785	20 868	1 416	233 424
TS Manyama	158 355	52 785	20 868	1 534	233 542
MA Malebati	158 355	52 785	20 868	1 361	233 369
N Nkhwashu	158 355	52 785	20 868	1 533	233 541
MB Mashele	158 355	52 785	20 868	1 502	233 510
MD Hlangwini	158 355	52 785	20 868	1 585	233 593
PP Machethe	422 280	140 760	20 868	3 604	587 512
MN Mboweni	395 888	131 963	20 868	3 383	552 102
	13 127 716	**4 374 558**	**1 419 024**	**109 902**	**19 031 200**

30. Impairment loss

In terms of GRAP21, "Impairment of non-cash generating assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and asset management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2015. The assessment of impairment of assets has resulted in an impairment loss of R 1 906 738 as a result significant loss in carrying amount of road infrastructure due to physical damage and degradation.

31. Finance costs

	2015	2014
Finance leases	197 765	455 949
Other interest paid	10 287 956	11 331 028
	10 485 721	**11 786 977**

32. Repairs and maintenance

	2015	2014
Machinery and equipment	67 228	43 895
Lawnmowers	31 758	62 740
Distribution networks	6 866 190	5 148 159
Stormwater, drainage and bridges	3 006 841	2 494 032
Tarred roads	8 847 339	6 086 342
Gravel roads	9 182 616	6 384 822
Streetlights	149 239	239 945
Council-owned land	571 597	486 470
Council-owned buildings	388 848	916 530
Council-owned vehicles	2 502 603	(1 723 586)
Non-council-owned assets (Contractors)	149 485	161 445
Other	369 335	221 701
	32 133 079	**20 522 496**

33. Bulk purchases

	2015	2014
Electricity	267 856 116	239 064 261

Bulk purchases are the cost of electricity not generated by the municicplaity. The electricity which is purchases from Eskom is sold to cosumers.

Water purchases are not included in bulk purchases as the municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

34. Contracted services

	2015	2014
Valuation roll	20 994	618 628
Traffic services	12 080 785	11 249 671
Refuse removal	8 771 151	8 950 742
Cleaning services	11 113 453	11 438 549
Other contracted services	904 601	843 680
Information technology	459 540	501 674
Meter reading	1 783 970	1 770 208
Town planning	4 339	317 326
Credit control	4 855 052	4 953 003
	39 993 885	**40 643 481**

Figures in Rand	2015	2014

35. Grants and subsidies paid

Other subsidies		
HPH	4 898 372	3 166 818
Other grants	8 715 133	22 805 564
Eskom EBSST	2 849 536	3 594 392
Mayor bursary account	215 000	221 000
SPCA	102 500	102 500
Sport Council	106 644	106 644
SETA (Training)	12 592	231 000
MSIG	692 071	105 283
Mayor special account	52 684	27 954
Grants and subsidies paid	33 326	33 326
Solid waste: EPWP	2 034 221	1 896 682
	19 712 079	**32 291 163**

36. General expenses

Auditor's remuneration	3 161 536	1 908 116
Computer rental	998 206	615 353
Consulting fees	22 208 565	11 921 636
Consumables	877 462	778 818
Insurance	2 617 174	2 318 884
Fuel and oil	6 058 613	6 507 249
Postage and courier	1 039 174	1 158 103
Printing and stationery	1 422 077	1 355 957
Protective clothing	235 761	567 090
Telephone and fax	1 345 828	1 470 051
Training	904 237	728 413
Travel - local	7 146 467	6 785 808
Insurance claims - Own expenditure	2 997 399	1 948 443
Membership fees - Salga	2 115 600	2 358 184
Telephone exchange rental	1 226 434	1 056 709
Public education and training	31 650	13 757
Small tools and equipment	275 702	236 345
Lease rentals on operating leases	388 322	648 093
Other expenses	23 018 715	15 169 539
	78 068 922	**57 546 548**

Figures in Rand	2015	2014

37. Cash generated from operations

Surplus	26 262 385	138 806 063
Adjustments for:		
Depreciation and amortisation	117 868 220	110 963 756
Gain on sale of assets and liabilities	1 753 066	8 090 388
Finance costs - Finance leases	197 765	455 948
Impairment deficit	1 906 738	8 404 148
Debt impairment	25 603 260	21 745 127
Movements in operating lease assets and accruals	13 669	28 574
Movements in retirement benefit assets and liabilities	12 540 977	8 243 302
Movements in provisions	189 902	2 628 459
Donation of assets (Non-cash item)	-	(155 300 000)
Changes in working capital:		
Inventories	(1 024 658)	6 948 693
Receivables from exchange transactions	2 628 062	(423 657)
Consumer debtors	(43 140 590)	(43 496 641)
Other receivables from non-exchange transactions	(2 129 353)	4 096 938
Payables from exchange transactions	(5 117 275)	24 224 493
VAT	1 402 956	4 019 244
Unspent conditional grants and receipts	16 356 034	11 897 204
Consumer deposits	2 596 153	2 206 799
	157 907 311	**153 538 838**

38. Auditors remuneration

Fees - Auditor General of South Africa	3 161 536	1 908 116

39. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Property, plant and equipment	31 777 081	80 663 940
• Investment property	-	3 348 000
• Other commitment	26 811 843	39 542 958
	58 588 924	**123 554 898**

Total capital commitments		
Already contracted for but not provided for	58 588 924	123 554 898

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

The expenditure will be financed by:		
- Internal advances	35 143 428	56 503 392
- Government grants	2 505 139	25 191 664
- MIG grants	20 940 357	41 829 842
	58 588 924	**123 524 898**

Figures in Rand	2015	2014

40. Contingencies

	2015	2014
A letter of demand regarding the non-payment of services for the valuation roll performed by Thlaola Dynamics (Pty) Ltd to the value of R 769 069 (2014:769 069).	-	769 069
A notice of action to the value of R 1 500 000 (2014: R 1 500 000) regarding negligence of extinguishing a fire which gutted Bedrock Mining Support Property	1 500 000	1 500 000
A letter of demand from Makgetsi Construction CC regarding the termination of SLA resulting from the awarding of tenders to the value of (2014: R15 776 459). This matter has since been resolved.	-	15 776 459
Application to the High Court with regard to the unfair dismissal of the previous CFO Mr Andre le Grange. The amount under dispute could not be reliably determined during the 2013/2014 financial year. Mr Andre Le Grange has been re-instated with effects from 1st July 2015	-	-
The municipality is being sued by Thabo Molepo for an amount of R1 000 000 (2014: R1 000 000) after being unlawfully arrested by the traffic officers of the municipality. The matter is still in the North Gauteng High Court.	-	1 000 000
Arbitration is in progress relating to possible irregular capital expenditure amounting to R6 329 697.36. This amount represents the payment for the upgrading of road R3763 Sasekani to Nkowankowa.	6 329 697	6 329 697
MACP Construction / CTM is alleged that the Municipality did not honour the contract as the contractor could not finish the nine kilometer project with the tendered smount if R 39 000 000 despite variation order of 20% to complete the project	9 000 000	-
GTM / Bravospan 252 the contract for security cameras was renewed by the acting Municipality Manager for a period of two years without proper procedure or formal advertisement of the bid. The Municipality filled an application in the high court to challenge the Valisity of the extension / renewal of the contract to be set aside and be advertised as per the supply chain policy of the Municipality . An amount of R2 712 000 has been provided for this purpose.	3 051 000	-
Expectra 338 / GTM on the 29th May 2015, the Municipality was issued with a notice of motion by Expectra 338 demanding payment R 17 766 852 for breach of contract as a service provider. The plaintiff alleged that they were appointed to upgrade a road from gravel to tar, roads D3198/D3215 from Senakwe to Morapalals	17 766 852	-
SAMWU / GTM the local SAMWU institutede an action in the high court against the Municipality who failed to consult the Union at the local forum regarding the policies adopted by the council. The Union is of the view that the Municiplaity should have consulted them before the policies may be enforced.	500 000	-
The municipality has lodged an objection with SARS with regards to VAT that was rejected by SARS. As a result of the objection, a contingent asset amounting to R18 146 507.78 (2014) and for 2013 R17 291 039.67 and a contingent liability amounting to R2 844 717.75 (2014) and for 2013 R11 085 243.	-	2 844 718
Greater Tzaneen Municipality vs Unlawful occupiers of property: GTM instructed legal proceedings to interdict the unlawful occupiers of property the anticipated amount to be spend on legal fees amounts to R300 000.	300 000	-

Notes to the Financial Statements

Figures in Rand	2015	2014

40. Contingencies (continued)

Erick Hide vs GTM Erick Hide sued the municipality for the water pipe that burst and destroyed the machinery of Erick Hide. They alleged that the damage occured as a result of the negligence of the municipality. The anticipated amount is R150 000.	150 000	-
Nkuna Traditional Authority This involves the eviction of illegal occupants in and around Nkuna Traditional Authority. The estimated cost is R500 000.	500 000	-
Versatax trading vs GTM This matter involves the Service Level Agreement entered into between GTm and Versatex to conduct job evaluations, however Versatex did not perform in terms of the agreement. The matter has now been referred to arbitration and the anticipated amount to be spent on legal fees is R150 000.	150 000	-

41. Related parties

Relationships

Municipal Manager	Vacant
Chief Financial Officer	NM Lion
Director Community Services	OZ Mkhombo
Director Civil Engineering	DS Malatji
Director Corporate Services	Vacant
Director Electrical Engineering	P van den Heever
Councillors	Refer to note 29 for list of councillors

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational dicisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

Loans granted to related parties

In terms of the MFMA the municipality may not grant loans to its councillors, management, staff and public with effect from 1 March 2004. Loans granted prior to this date as well as stand sale arrangement are disclosed in note 4 to the annual financial statements.

GTEDA

GTEDA is a Municipality Enitity Established by Greater Tzaneen Municipality and performs the fuction consistant with that of an entity and can not control or influence council in making financial or operational decisions.

Mopani District Municipality

Greater Tzaneen Municipality acts is the service provider for Mopani District Municipality with regards to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records. Mopani District Municipality has no control over the council of Greater Tzaneen Municipality and can not influence council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments.

Related party transactions

Refer to note 27 for detail of remuneration paid to Section 57 Managers and to note 29 for remuneration paid to Councillors.

42. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2015.

At 30 June 2015	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Other financial liabilities	13 122 036	94 509 259	-	-
Finance lease obligations	576 879	253 826	-	-
Payables from exchange transactions	143 104 322	-	-	-

At 30 June 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Other financial liabilities	12 014 682	107 631 294	-	-
Finance lease obligations	2 171 874	415 637	-	-
Payables from exchange transactions	148 221 598	-	-	-

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Potential concentrations of credit rate risk consist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of highh credit standing. The credit exposure to any single counterparty is managed by settting transaction/ exposure limits, which are included in the municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

42. Risk management (continued)

Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, " handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Recievables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of tthe relevant financial instruments is as followes:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from exchange transactions	185 429 651	188 057 714
Receivables from non-exchange transactions	2 553 010	423 657
Cash and cash equivalents	27 977 498	23 822 041
Consumer debtors	115 629 701	98 092 370
Other financial assets	9 041 278	8 005 170

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The municipality is exposed to interest rate risk on its investments and long term borrowings.

A sensitivity analysis is done by the municipality on a continuous bases to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewel of current position and alternative financing. Based on those scenarios the municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the munipality's business, changes in the market prices will have a material impact on the trading results of the municipality.

Risk is managed on an ongoing basis.

There has been no change, since the previous financail year to the municipality exposure to market risks on the manner which it manages and measures the risk.

Notes to the Financial Statements

43. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

44. Unauthorised expenditure

Opening balance	96 082 486	63 740 995
Unauthorised expenditure for the year (overspending of budget)	25 387 498	27 651 094
Electrification Grant overspend	-	4 033 488
EPWP Grant overspend	-	11 151
EU Grant overspend	-	645 758
Unauthorised expenditure condoned	(96 082 486)	-
Unauthorised expenditure awaiting authorisation	**25 387 498**	**96 082 486**

Unauthorised expenditure for the year is as a result of overspending of the approved budget.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The unauthorised expenditure has been tabled to Council and is investigated by a committee of Council.

45. Fruitless and wasteful expenditure

Opening balance	5 822 006	5 049 186
Fruitless and wasteful expenditure	1 320 482	2 069 894
Less: Amounts to be recovered	-	(1 297 074)
Fruitless and wastefull expenditure condoned	(5 822 006)	-
Fruitless and wasteful expenditure awaiting condonement	**1 320 482**	**5 822 006**

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The fruitless and wasteful expenditure has been tabled to Council and is investigated by a committee of Council.

46. Irregular expenditure

Opening balance	147 713 057	114 384 289
Add: Irregular Expenditure - current year	62 445 004	33 328 768
Irregular expenditure condoned	(147 713 057)	-
Irregular expenditure awaiting condonement	**62 445 004**	**147 713 057**

Analysis of expenditure awaiting condonation per age classification

Current year	66 766 224	144 384 289
Prior years	-	33 328 768
	66 766 224	**177 713 057**

The irregular expenditure has been tabled to Council and is investigated by a committee of Council.

Notes to the Financial Statements

Figures in Rand	2015	2014

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year fee	2 115 601	2 358 184
Amount paid - current year	(2 115 601)	(2 358 184)
	-	-

Skills Development Levy

Current year levy	2 238 674	2 110 348
Amount paid - current year	(2 238 674)	(2 110 348)
	-	-

Audit fees

Current year fee	3 161 536	1 908 116
Amount paid - current year	(3 161 536)	(1 908 116)
	-	-

PAYE and UIF

Current year contributions	45 430 256	46 101 254
Amount paid - current year	(45 430 256)	(46 101 254)
	-	-

Pension and Medical Aid Deductions

Current year contributions	58 099 812	52 744 197
Amount paid - current year	(58 099 812)	(52 744 197)
	-	-

Bargaining Council Levy

Current year levy	125 786	121 942
Amount paid - current year	(125 786)	(121 942)
	-	-

VAT

VAT payable	29 626 345	28 223 389

VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councilors' arrear accounts outstanding for more than 90 days at 30 June 2015 and 30 June 2014.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred have been condoned.

Figures in Rand	2015	2014

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviation from supply chain management regulations did occur. A detailed deviation register is available at the Municipality for inspection.

	2015	2014
Incident		
Deviation from supply chan management processes	7 431 803	2 756 801

49. Utilisation of Long-term liabilities reconciliation

	2015	2014
Long-term liabilities raised	107 631 295	119 645 977
Cash set aside for the repayment of long-term liabilities	-	-
	107 631 295	**119 645 977**

External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 13 for more detail regarding long-term borrowings.

50. Distribution losses

	2015	2014
Electricity distribution losses		
Units purchased (kWh)	383 896 085	369 202 218
Units lost during distribution (kWh)	68 436 891	75 262 387
Percentage lost during distribution	17.83 %	20.39 %

There is no possibility of recovering any of the material losses.

51. Budget differences

Material differences between budget and actual amounts

Refer to Appendix E1 and E2 for details.

52. Other revenue

	2015	2014
Other income	27 323 317	19 184 092

53. Impairment of assets

	2015	2014
Impairments		
Property, plant and equipment	1 906 738	8 404 148

54. Fair value adjustments

	2015	2014
Investment property (Fair value model)	(335 000)	16 352 038

Notes to the Financial Statements

Figures in Rand	2015	2014

55. Investment revenue

Interest revenue		
Interest received - other	2 381 124	2 164 145

An amount of R 1 301 962 included in Investment revenue arises from fixed deposit transactions amounting to R 262 502 021, while the balance of R 1 079 162 arises from interest received on the municipalities current bank account.

56. Public contributions and donations

Public contributions and donations	-	155 300 000

Conditions still to be met - remain liabilities (see note 18)

Provide explanations of conditions still to be met and other relevant information

57. Depreciation and amortisation

Property, plant and equipment	117 868 218	110 963 755

58. Debt impairment

Debt impairment	25 603 260	21 745 127

59. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets reaming useful lives to change from ten (10) to eleven (11) years on average. The effect of the change in accounting estimates has resulted in a decrease of depreciation amounting to R 7 673 371 for the current period. The effect on future periods could not reasonably be determined.

The change in estimates affected the following classes of assets:

- Infrastructure assets
- Community assets
- Other assets

60. Prior period errors

Statement of Finacial Position

Removal of funds and reserve accouns to comply with the requirement of the GRAP implementation guide for the municipality

	Year	Amount
Future depreciation Reserves		-
- Utilized capital receipts (Grants)	2012/2013	115 070 696
- Utilized Capital receipts (Public contribution)	2012/2013	152 163 123
- Transfer from Assets Financing Funds	2012/2013	172 440 266
- Transfer from Assets Financing Fund	2013/2014	(90 479 717)
Distributable Reserves		-
- Assets Financing Funds	2012/2013	137 014
- Insurance Reserve	2012/2013	500 000
- Unapproriated Surplus	2013/2014	90 479 717
- Unapproriated Surplus	2012/2013	1 464 530 567

Removal of advances made to and from funds and reserves

Internal advances		-
- Advances from EFF	2012/2013	63 995 434
Long term Liabilities		-
- Advances made to finance capital	2012/2013	36 361 431
- Electricity	2012/2013	22 634 003
- Sewer	2012/2013	5 000 000

These advances had a zero ner effect on the 2013/2014 financial statements.

Bursary loans not accounted for	2013/2014	587 567
Reduction in cost of assets	2012/2013	586 263
Accumulated depreciation motor vehicles taken out	2012/2013	465 812
Accumulated depreciation of motor vehicles taken out	2013/2014	67 458
Correction of incorrectly capitalised minor assets	2013/2014	18 616
Infrastructure capitalised with incorrect amount	2013/2014	44 502
Accumulated depreciation of incorrect amount capitalised	2013/2014	1 051
Correction of accumulated depreciation for other assets written off	2012/2013	17 187
Leased assets taken out	2012/2013	638 963
Accumulated depreciation of leased assets taken out	2012/2013	638 963
Work in progress overstated due to over payment.	2013/2014	289 331
Adjustment for understated infrastructure assets due to complete project not capitalised.	2013/2014	1 242 074
Reduction in cost of assets due to other assets duplicates	2012/2013	52 947
Accumulated depreciation due to other assets dupliactes	2012/2013	35 948
Accumulated depreciation for duplicated other assets	2013/2014	5 723
Writing back bursary loan allocations	2013/2014	49 737

Statement of Financial Performance

Bursary loans issued and not accounted for	2013/2014	587 567
Depreciation of motor vehicles teken out	2013/2014	67 458
Depreciation due to incorrect amount capitalised	2013/2014	1 051
The effect of depreciation due to duplicated other assets teken out	2013/2014	5 723

The correction of error(s) results in adjustments as follows:

60. Prior period errors (continued)

Statement of Financial Position	As previously reported	Correction of error	2013 Restated
Investment property	171 252 000	1 780 000	173 032 000
Property, plant and equipment	1 546 448 144	(27 565 365)	1 518 882 779
Accumulated surplus	1 634 676 965	(25 785 363)	1 608 891 602
	3 352 377 109	**(51 570 728)**	**3 300 806 381**

Statement of Financial Position	As previously reported	Correction of error	2014 Restated
Opening accumulated surplus	1 786 769 515	(39 071 846)	1 747 697 669
Receivables from Exchange Transaction	194 302 064	(6 244 350)	188 057 714
Property,plant and equipment	1 693 378 434	(32 116 770)	1 661 261 664
Investment property	180 377 000	1 780 000	182 157 000
Payables from exchange transactions	145 771 377	2 450 221	148 221 598
VAT Payable	28 182 883	40 506	28 223 389
	4 028 781 273	**(73 162 239)**	**3 955 619 034**

Statement of Financial Performance	As previously reported	Correction of error	2014 Restated
Interest recieved	17 343 422	(6 474 713)	10 868 709
Employee cost	247 063 561	2 405 722	249 469 283
Depreciation and amotisation	108 054 907	2 908 848	110 963 755
Repairs and maintenace	19 124 850	1 397 646	20 522 496
General expenses	57 447 139	99 409	57 546 548
	449 033 879	**336 912**	**449 370 791**

Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity Loans								
ABSA			27 269 848	-	3 047 657	24 222 191	-	-
Developement Bank of South Africa			37 885 539	-	1 318 599	36 566 940	-	-
INCA			13 964 894	-	2 481 575	11 483 319	-	-
Standard Bank			16 726 590	-	2 540 160	14 186 430	-	-
Standard Bank			8 799 106	-	2 626 690	6 172 416	-	-
			104 645 977	**-**	**12 014 681**	**92 631 296**	**-**	**-**
Loan Stock								
Developement Bank South Africa			15 000 000	-	-	15 000 000	-	-
			15 000 000	**-**	**-**	**15 000 000**	**-**	**-**
Total external loans								
Loan Stock			15 000 000	-	-	15 000 000	-	-
Annuity Loans			104 645 977	-	12 014 681	92 631 296	-	-
			119 645 977	**-**	**12 014 681**	**107 631 296**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation		
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand
Land and buildings										
Land	108 830 310	-	-	-	-	**-**	**108 830 310**	-	-	-
	108 830 310	**-**	**-**	**-**	**-**	**-**	**108 830 310**	**-**	**-**	**-**
Infrastructure										
Roads	992 360 392	105 983 881	-	-	-	**-**	**1 098 344 273**	(347 393 364)	-	-
Storm water	41 532 409	25 385 327	-	-	-	**-**	**66 917 736**	(20 293 264)	-	-
Solid waste	1 577 142	-	-	-	-	**-**	**1 577 142**	(242 148)	-	-
Buildings	374 291	-	-	-	-	**-**	**374 291**	(104 001)	-	-
Reticulation	14 397 603	2 542 785	-	-	-	**-**	**16 940 388**	(1 911 626)	-	-
Refuse sites	44 413 261	-	-	-	-	**-**	**44 413 261**	(6 046 391)	-	-
Airports	191 751	-	-	-	-	**-**	**191 751**	(19 228)	-	-
Plant and Machinery	203 695	-	-	-	-	**-**	**203 695**	(51 000)	-	-
Traffic	347 170	-	-	-	-	**-**	**347 170**	(161 923)	-	-
Water	198 000	-	-	-	-	**-**	**198 000**	(19 854)	-	-
Electricity	881 917 240	-	(172 832)	-	-	**-**	**881 744 408**	(262 991 476)	67 496	-
Land and Buildings	5 914 967	-	-	-	-	**-**	**5 914 967**	(2 720 475)	-	-
	1 983 427 921	**133 911 993**	**(172 832)**	**-**	**-**	**-**	**2 117 167 082**	**(641 954 750)**	**67 496**	**-**
Community Assets										
Parks & gardens	28 369 500	-	-	-	-	**-**	**28 369 500**	(1 565 418)	-	-
Fencing	41 929	-	-	-	-	**-**	**41 929**	(16 786)	-	-
Roads	11 301 760	-	-	-	-	**-**	**11 301 760**	(2 622 200)	-	-
Municipal offices	15 375 000	-	-	-	-	**-**	**15 375 000**	(6 566 350)	-	-
Libraries	7 350 000	-	-	-	-	**-**	**7 350 000**	(700 411)	-	-
Traffic centre	862 000	-	-	-	-	**-**	**862 000**	(43 425)	-	-
Museums	1 300 000	-	-	-	-	**-**	**1 300 000**	(210 123)	-	-
Airports	128 586	-	-	-	-	**-**	**128 586**	(128 586)	-	-
Recreational facilities	8 430 667	-	-	-	-	**-**	**8 430 667**	(5 294 136)	-	-
Cemetetries	3 702 000	-	-	-	-	**-**	**3 702 000**	(264 755)	-	-
Roads and Subgrade	597 216	-	-	-	-	**-**	**597 216**	(239 091)	-	-
Buildings	1 070 152	-	-	-	-	**-**	**1 070 152**	(324 020)	-	-
Land and Buildings	1 296 000	-	-	-	-	**-**	**1 296 000**	-	-	-
	79 824 810	**-**	**-**	**-**	**-**	**-**	**79 824 810**	**(17 975 301)**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation		
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand
Work in Progress										
Work in progress	112 741 750	126 059 527	-	(134 035 008)	-	-	**104 766 269**	-	-	-
	112 741 750	**126 059 527**	**-**	**(134 035 008)**	**-**	**-**	**104 766 269**	**-**	**-**	**-**
Leased assets										
Leased assets	11 984 909	473 702	-	-	-	-	**12 458 611**	(7 549 389)	-	-
	11 984 909	**473 702**	**-**	**-**	**-**	**-**	**12 458 611**	**(7 549 389)**	**-**	**-**
Other assets										
Computer Equipment	6 624 203	718 477	-	-	-	-	**7 342 680**	(3 810 979)	-	-
Furniture & Fittings	1 876 587	102 284	-	-	-	-	**1 978 871**	(1 196 634)	-	-
Office Equipment	3 020 164	188 181	-	-	-	-	**3 208 345**	(2 199 610)	-	-
Electricity	56 299	-	-	-	-	-	**56 299**	(33 201)	-	-
Plant and Machinery	9 080 038	112 154	-	-	-	-	**9 192 192**	(5 145 554)	-	-
Health Equipment	244 936	-	-	-	-	-	**244 936**	(214 112)	-	-
Parks	30 718	-	-	-	-	-	**30 718**	(10 867)	-	-
Buildings	5 416 005	-	-	-	-	-	**5 416 005**	(1 973 771)	-	-
Security Measures	632 195	-	-	-	-	-	**632 195**	(165 151)	-	-
Weapons	105 048	-	-	-	-	-	**105 048**	(64 801)	-	-
Motor Vehicles	35 898 739	820 987	-	-	-	-	**36 719 726**	(16 246 984)	-	-
Land	4 788	-	-	-	-	-	**4 788**	-	-	-
	1 127 269	23 826	-	-	-	-	**1 151 095**	(1 123 918)	-	-
	64 116 989	**1 965 909**	**-**	**-**	**-**	**-**	**66 082 898**	**(32 185 582)**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation		
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand
Total property plant and equipment										
Land and buildings	108 830 310	-	-	-	-	**-**	**108 830 310**	-	-	-
Infrastructure	1 983 427 921	133 911 993	(172 832)	-	-	**-**	**2 117 167 082**	(641 954 750)	67 496	-
Community Assets	79 824 810	-	-	-	-	**-**	**79 824 810**	(17 975 301)	-	-
Work in Progress	112 741 750	126 059 527	-	(134 035 008)	-	**-**	**104 766 269**	-	-	-
Leased assets	11 984 909	473 702	-	-	-	**-**	**12 458 611**	(7 549 389)	-	-
Other assets	64 116 989	1 965 909	-	-	-	**-**	**66 082 898**	(32 185 582)	-	-
	2 360 926 689	**262 411 131**	**(172 832)**	**(134 035 008)**	**-**	**-**	**2 489 129 980**	**(699 665 022)**	**67 496**	**-**
Agricultural/Biological assets										
Intangible assets										
Computers - software	345 656	-	-	-	-	**-**	**345 656**	(189 422)	-	-
	345 656	**-**	**-**	**-**	**-**	**-**	**345 656**	**(189 422)**	**-**	**-**
Investment properties										
Investment property	180 377 000	9 348 000	-	-	-	**-**	**189 725 000**	-	-	-
	180 377 000	**9 348 000**	**-**	**-**	**-**	**-**	**189 725 000**	**-**	**-**	**-**
Total										
Land and buildings	108 830 310	-	-	-	-	**-**	**108 830 310**	-	-	-
Infrastructure	1 983 427 921	133 911 993	(172 832)	-	-	**-**	**2 117 167 082**	(641 954 750)	67 496	-
Community Assets	79 824 810	-	-	-	-	**-**	**79 824 810**	(17 975 301)	-	-
Work in Progress	112 741 750	126 059 527	-	(134 035 008)	-	**-**	**104 766 269**	-	-	-
Leased assets	11 984 909	473 702	-	-	-	**-**	**12 458 611**	(7 549 389)	-	-
Other assets	64 116 989	1 965 909	-	-	-	**-**	**66 082 898**	(32 185 582)	-	-
Intangible assets	345 656	-	-	-	-	**-**	**345 656**	(189 422)	-	-
Investment properties	180 377 000	9 348 000	-	-	-	**-**	**189 725 000**	-	-	-
	2 541 649 345	**271 759 131**	**(172 832)**	**(134 035 008)**	**-**	**-**	**2 679 200 636**	**(699 854 444)**	**67 496**	**-**

Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	109 500 310	-	(670 000)	-	-	**-**	**108 830 310**	-	-	-	-	-	**-**	108 830 310
	109 500 310	**-**	**(670 000)**	**-**	**-**	**-**	**108 830 310**	**-**	**-**	**-**	**-**	**-**	**-**	**108 830 310**
Infrastructure														
Roads	745 382 319	246 978 073	-	-	-	**-**	**992 360 392**	(284 497 442)	-	-	(54 491 773)	(8 404 148)	**(347 393 363)**	644 967 029
Storm water	41 532 409	-	-	-	-	**-**	**41 532 409**	(17 466 873)	-	-	(2 826 391)	-	**(20 293 264)**	21 239 145
Solid waste	1 577 142	-	-	-	-	**-**	**1 577 142**	(181 663)	-	-	(60 485)	-	**(242 148)**	1 334 994
Buildings	374 291	-	-	-	-	**-**	**374 291**	(67 845)	-	-	(36 156)	-	**(104 001)**	270 290
Reticulation	12 551 033	1 846 570	-	-	-	**-**	**14 397 603**	(1 381 068)	-	-	(530 558)	-	**(1 911 626)**	12 485 977
Refuse sites	44 413 261	-	-	-	-	**-**	**44 413 261**	(4 467 844)	-	-	(1 578 547)	-	**(6 046 391)**	38 366 870
Airports	191 751	-	-	-	-	**-**	**191 751**	(53)	-	-	(19 175)	-	**(19 228)**	172 523
Plant and Machinery	203 695	-	-	-	-	**-**	**203 695**	(10 261)	-	-	(40 739)	-	**(51 000)**	152 695
Traffic	347 170	-	-	-	-	**-**	**347 170**	(138 805)	-	-	(23 118)	-	**(161 923)**	185 247
Water	198 000	-	-	-	-	**-**	**198 000**	(54)	-	-	(19 800)	-	**(19 854)**	178 146
Electricity	873 424 392	8 492 848	-	-	-	**-**	**881 917 240**	(225 683 977)	-	-	(37 307 498)	-	**(262 991 475)**	618 925 765
Land and buildings	5 914 967	-	-	-	-	**-**	**5 914 967**	(2 346 587)	-	-	(373 889)	-	**(2 720 476)**	3 194 491
	1 726 110 430	**257 317 491**	**-**	**-**	**-**	**-**	**1 983 427 921**	**(536 242 472)**	**-**	**-**	**(97 308 129)**	**(8 404 148)**	**(641 954 749)**	**1 341 473 172**
Community Assets														
Parks & gardens	28 369 500	-	-	-	-	**-**	**28 369 500**	(1 341 918)	-	-	(223 500)	-	**(1 565 418)**	26 804 082
Fencing	41 929	-	-	-	-	**-**	**41 929**	(12 593)	-	-	(4 193)	-	**(16 786)**	25 143
Roads	11 301 760	-	-	-	-	**-**	**11 301 760**	(2 239 973)	-	-	(382 227)	-	**(2 622 200)**	8 679 560
Municipal offices	15 375 000	-	-	-	-	**-**	**15 375 000**	(5 628 850)	-	-	(937 500)	-	**(6 566 350)**	8 808 650
Libraries	7 350 000	-	-	-	-	**-**	**7 350 000**	(600 411)	-	-	(100 000)	-	**(700 411)**	6 649 589
Traffic centre	862 000	-	-	-	-	**-**	**862 000**	(37 225)	-	-	(6 200)	-	**(43 425)**	818 575
Museums	1 300 000	-	-	-	-	**-**	**1 300 000**	(180 123)	-	-	(30 000)	-	**(210 123)**	1 089 877
Airports	128 586	-	-	-	-	**-**	**128 586**	(128 586)	-	-	-	-	**(128 586)**	-
Recreational facilities	8 430 667	-	-	-	-	**-**	**8 430 667**	(4 587 467)	-	-	(706 669)	-	**(5 294 136)**	3 136 531
Cemetetries	3 702 000	-	-	-	-	**-**	**3 702 000**	(226 955)	-	-	(37 800)	-	**(264 755)**	3 437 245
Roads and Subgrade	597 216	-	-	-	-	**-**	**597 216**	(179 369)	-	-	(59 722)	-	**(239 091)**	358 125
Buildings	1 070 152	-	-	-	-	**-**	**1 070 152**	(203 013)	-	-	(121 007)	-	**(324 020)**	746 132
Land and Buildings	1 296 000	-	-	-	-	**-**	**1 296 000**	-	-	-	-	-	**-**	1 296 000
	79 824 810	**-**	**-**	**-**	**-**	**-**	**79 824 810**	**(15 366 483)**	**-**	**-**	**(2 608 818)**	**-**	**(17 975 301)**	**61 849 509**

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Work in progress														
Work in progress	108 014 041	108 387 674	-	(103 659 965)	-	-	**112 741 750**	-	-	-	-	-	-	112 741 750
	108 014 041	**108 387 674**	**-**	**(103 659 965)**	**-**	**-**	**112 741 750**	**-**	**-**	**-**	**-**	**-**	**-**	**112 741 750**
Lease assets														
Leased assets	14 438 611	-	(2 453 702)	-	-	-	**11 984 909**	(7 330 306)	2 268 054	-	(2 487 137)	-	**(7 549 389)**	4 435 520
	14 438 611	**-**	**(2 453 702)**	**-**	**-**	**-**	**11 984 909**	**(7 330 306)**	**2 268 054**	**-**	**(2 487 137)**	**-**	**(7 549 389)**	**4 435 520**
Other assets														
Computer Equipment	6 326 854	537 543	(240 194)	-	-	-	**6 624 203**	(3 262 291)	233 848	-	(782 537)	-	**(3 810 980)**	2 813 223
Furniture & Fittings	1 708 738	188 037	(20 188)	-	-	-	**1 876 587**	(1 028 820)	13 220	-	(181 034)	-	**(1 196 634)**	679 953
Office Equipment	2 989 013	66 225	(35 074)	-	-	-	**3 020 164**	(1 906 932)	29 083	-	(321 762)	-	**(2 199 611)**	820 553
Electricity	56 299	-	-	-	-	-	**56 299**	(28 508)	-	-	(4 693)	-	**(33 201)**	23 098
Plant and Machinery	9 009 578	81 429	(10 969)	-	-	-	**9 080 038**	(4 163 737)	7 315	-	(989 133)	-	**(5 145 555)**	3 934 483
Health Equipment	244 936	-	-	-	-	-	**244 936**	(181 527)	-	-	(32 585)	-	**(214 112)**	30 824
Parks	30 718	-	-	-	-	-	**30 718**	(9 331)	-	-	(1 536)	-	**(10 867)**	19 851
Buildings	5 416 005	-	-	-	-	-	**5 416 005**	(1 694 793)	-	-	(278 978)	-	**(1 973 771)**	3 442 234
Security measures	600 045	32 150	-	-	-	-	**632 195**	(136 977)	-	-	(28 174)	-	**(165 151)**	467 044
Weapons	105 048	-	-	-	-	-	**105 048**	(54 288)	-	-	(10 513)	-	**(64 801)**	40 247
Motor Vehicles	38 881 864	-	(2 983 125)	-	-	-	**35 898 739**	(12 976 320)	2 553 233	-	(5 823 896)	-	**(16 246 983)**	19 651 756
Land	4 788	-	-	-	-	-	**4 788**	-	-	-	-	-	**-**	4 788
	1 147 626	18 642	(38 999)	-	-	-	**1 127 269**	(1 144 150)	38 848	-	(18 616)	-	**(1 123 918)**	3 351
	66 521 512	**924 026**	**(3 328 549)**	**-**	**-**	**-**	**64 116 989**	**(26 587 674)**	**2 875 547**	**-**	**(8 473 457)**	**-**	**(32 185 584)**	**31 931 405**

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment														
Land and buildings	109 500 310	-	(670 000)	-	-	**-**	**108 830 310**	-	-	-	-	-	**-**	108 830 310
Infrastructure	1 726 110 430	257 317 491	-	-	-	**-**	**1 983 427 921**	(536 242 472)	-	-	(97 308 129)	(8 404 148)	**(641 954 749)**	1 341 473 172
Community Assets	79 824 810	-	-	-	-	**-**	**79 824 810**	(15 366 483)	-	-	(2 608 818)	-	**(17 975 301)**	61 849 509
Work in progress	108 014 041	108 387 674	-	(103 659 965)	-	**-**	**112 741 750**	-	-	-	-	-	**-**	112 741 750
Lease assets	14 438 611	-	(2 453 702)	-	-	**-**	**11 984 909**	(7 330 306)	2 268 054	-	(2 487 137)	-	**(7 549 389)**	4 435 520
Other assets	66 521 512	924 026	(3 328 549)	-	-	**-**	**64 116 989**	(26 587 674)	2 875 547	-	(8 473 457)	-	**(32 185 584)**	31 931 405
	2 104 409 714	**366 629 191**	**(6 452 251)**	**(103 659 965)**	**-**	**-**	**2 360 926 689**	**(585 526 935)**	**5 143 601**	**-**	**(110 877 541)**	**(8 404 148)**	**(699 665 023)**	**1 661 261 666**
Agricultural/Biological assets														
Intangible assets														
Computers - software	234 777	110 879	-	-	-	**-**	**345 656**	(103 207)	-	-	(86 215)	-	**(189 422)**	156 234
	234 777	**110 879**	**-**	**-**	**-**	**-**	**345 656**	**(103 207)**	**-**	**-**	**(86 215)**	**-**	**(189 422)**	**156 234**
Investment properties														
Investment property	171 252 000	19 805 000	(10 680 000)	-	-	**-**	**180 377 000**	-	-	-	-	-	**-**	180 377 000
	171 252 000	**19 805 000**	**(10 680 000)**	**-**	**-**	**-**	**180 377 000**	**-**	**-**	**-**	**-**	**-**	**-**	**180 377 000**
Total														
Land and buildings	109 500 310	-	(670 000)	-	-	**-**	**108 830 310**	-	-	-	-	-	**-**	108 830 310
Infrastructure	1 726 110 430	257 317 491	-	-	-	**-**	**1 983 427 921**	(536 242 472)	-	-	(97 308 129)	(8 404 148)	**(641 954 749)**	1 341 473 172
Community Assets	79 824 810	-	-	-	-	**-**	**79 824 810**	(15 366 483)	-	-	(2 608 818)	-	**(17 975 301)**	61 849 509
Work in progress	108 014 041	108 387 674	-	(103 659 965)	-	**-**	**112 741 750**	-	-	-	-	-	**-**	112 741 750
Lease assets	14 438 611	-	(2 453 702)	-	-	**-**	**11 984 909**	(7 330 306)	2 268 054	-	(2 487 137)	-	**(7 549 389)**	4 435 520
Other assets	66 521 512	924 026	(3 328 549)	-	-	**-**	**64 116 989**	(26 587 674)	2 875 547	-	(8 473 457)	-	**(32 185 584)**	31 931 405
Intangible assets	234 777	110 879	-	-	-	**-**	**345 656**	(103 207)	-	-	(86 215)	-	**(189 422)**	156 234
Investment properties	171 252 000	19 805 000	(10 680 000)	-	-	**-**	**180 377 000**	-	-	-	-	-	**-**	180 377 000
	2 275 896 491	**386 545 070**	**(17 132 251)**	**(103 659 965)**	**-**	**-**	**2 541 649 345**	**(585 630 142)**	**5 143 601**	**-**	**(110 963 756)**	**(8 404 148)**	**(699 854 445)**	**1 841 794 900**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated Depreciation			
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	D
Municipality											
Mayor office	419 949	433 950	-	-	-	**-**	**853 899**	(226 766)	-	-	
Municipality Manager	523 518	481 680	-	-	-	**-**	**1 005 198**	(371 577)	-	-	
Planning and Development/Economic Development/Plan	2 591 906	31 778	-	-	-	**-**	**2 623 684**	(922 980)	-	-	
Financial Services	7 025 043	665 630	-	-	-	**-**	**7 690 673**	(4 931 765)	-	-	
Corporate services	8 070 182	1 147 140	-	-	-	**-**	**9 217 322**	(4 997 918)	-	-	
Engineering services	30 017 790	20 293	-	-	-	**-**	**30 038 083**	(12 253 193)	-	-	
Community services	21 356 862	455 393	-	-	-	**-**	**21 812 255**	(13 117 785)	-	-	
Electrical engineering	6 442 304	138 385	-	-	-	**-**	**6 580 689**	(3 102 410)	-	-	
Infrastructure	2 063 252 730	133 911 993	(172 832)	-	-	**-**	**2 196 991 891**	(659 930 050)	67 496	-	
Land	108 830 310	-	-	-	-	**-**	**108 830 310**	-	-	-	
Investment properties	182 157 000	9 348 000	(1 560 000)	-	-	**-**	**189 945 000**	-	-	-	
Work in progress	112 741 750	126 059 527	-	(134 035 008)	-	**-**	**104 766 269**	-	-	-	
	2 543 429 344	**272 693 769**	**(1 732 832)**	**(134 035 008)**	**-**	**-**	**2 680 355 273**	**(699 854 444)**	**67 496**	**-**	
Total											
Municipality	2 543 429 344	272 693 769	(1 732 832)	(134 035 008)	-	**-**	**2 680 355 273**	(699 854 444)	67 496	-	
	2 543 429 344	**272 693 769**	**(1 732 832)**	**(134 035 008)**	**-**	**-**	**2 680 355 273**	**(699 854 444)**	**67 496**	**-**	

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	32 326 671	(32 326 671)	Executive & Council/Mayor and Council	-	29 385 237	(29 385 237)
324 233 552	139 577 175	184 656 377	Finance & Admin/Finance	352 036 783	159 941 914	192 094 869
17 238 591	16 383 713	854 878	Planning and Development/Economic Development/Plan	8 164 155	19 204 761	(11 040 606)
32 297	6 710 798	(6 678 501)	Health/Clinics	34 276	6 940 865	(6 906 589)
68 910	6 264 875	(6 195 965)	Comm. & Social/Libraries and archives	70 917	6 604 158	(6 533 241)
1 495 210	11 966 761	(10 471 551)	Housing	1 664 839	10 415 020	(8 750 181)
3 214 889	28 682 672	(25 467 783)	Public Safety/Police	7 813 815	27 672 008	(19 858 193)
39 731	20 043 021	(20 003 290)	Sport and Recreation	4 012	19 854 858	(19 850 846)
23 745 602	68 263 497	(44 517 895)	Waste Water Management/Sewerage	28 164 303	63 805 592	(35 641 289)
227 641 514	136 443 243	91 198 271	Road Transport/Roads	94 049 565	138 406 074	(44 356 509)
360 085 549	352 327 357	7 758 192	Electricity /Electricity Distribution	395 460 483	378 864 951	16 595 532
957 795 845	**818 989 783**	**138 806 062**		**887 463 148**	**861 095 438**	**26 367 710**
			Municipal Owned Entities			
			Other charges			
957 795 845	818 989 783	138 806 062	Municipality	887 463 148	861 095 438	26 367 710
957 795 845	**818 989 783**	**138 806 062**	**Total**	**887 463 148**	**861 095 438**	**26 367 710**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	74 098 025	64 000 000	10 098 025	15.8	Valuation roll lead to the discovery of new premies that were not in the deed's office
Service charges	406 980 708	429 176 643	(22 195 935)	(5.2)	
Property rates - penalties imposed	5 368 139	4 500 000	868 139	19.3	Valuation roll lead to the discovery of new premies that were not in the deed's office
Rental of facilities and equipment	1 188 589	759 100	429 489	56.6	Increase in the lease agrrement
Interest received (trading)	12 057 486	11 800 000	257 486	2.2	
Agency services	15 874 400	42 992 708	(27 118 308)	(63.1)	The budgeted amount include the revenue received on behalf of the angency which cannot be regarded as own revenue, only 20% is recognised as own revenu
Fines	8 355 543	3 210 136	5 145 407	160.3	Cameras used for traffic control which lead to increase in traffic fines
Licences and permits	711 014	497 138	213 876	43.0	Increase as a result of increased permits building plan approved
Governments grants and subsidies	341 793 646	421 179 052	(79 385 406)	(18.8)	Money revert back to National Treasury
Other income - (rollup)	18 654 473	37 939 592	(19 285 119)	(50.8)	
Interest received - other	2 381 124	2 001 000	380 124	19.0	Money was placed with different financial institution which yielded more interest
	887 463 147	1 018 055 369	(130 592 222)	(12.8)	
Expenses					
Employee cost	(244 948 968)	(247 348 836)	2 399 868	(1.0)	
Remuneration of councillors	(20 078 193)	(20 672 678)	594 485	(2.9)	
Loss on inventory	(98 966)	-	(98 966)	-	
Depreciation	(117 868 229)	(120 057 710)	2 189 481	(1.8)	
Impairments	(1 906 738)	-	(1 906 738)	-	
Finance costs	(10 485 721)	(10 223 303)	(262 418)	2.6	
Bad debts written off	(25 603 260)	(16 483 459)	(9 119 801)	55.3	Increase in debt impairment is due to the appointment of revenue enchancement strategies
Collection costs	(358 549)	(200 000)	(158 549)	79.3	More money was paid for legal services than recovered
Repairs and maintenance - General	(32 133 079)	(30 305 966)	(1 827 113)	6.0	
Bulk purchases	(267 856 116)	(268 820 574)	964 458	(0.4)	
Contracted Services	(39 993 885)	(38 169 243)	(1 824 642)	4.8	
Grants and subsidies paid	(19 712 079)	(17 528 499)	(2 183 580)	12.5	More money was spent on grants to comply with National Treasury requirement
General Expenses	(78 068 924)	(86 638 177)	8 569 253	(9.9)	
	(859 112 707)	(856 448 445)	(2 664 262)	0.3	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(1 647 730)	2 300 000	(3 947 730)	(171.6)	
Fair value adjustments	(335 000)	-	(335 000)	-	
	(1 982 730)	2 300 000	(4 282 730)	(186.2)	
Net surplus/ (deficit) for the year	26 367 710	163 906 924	(137 539 214)	(83.9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2015

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	490 182	513 334	23 152	**5**	
Finance & Admin/Finance	4 556 687	3 483 334	(1 073 353)	**(31)**	Land purchased by the Municipality
Planning and Development/Economic Development/Plan	3 643 468	38 585 027	34 941 559	**91**	Delay in supply chain processes
Housing	-	500 000	-	**-**	Delay in supply chain processes
Waste Water Management/Sewerage	89 149	1 388 333	1 299 184	**94**	Delay in supply chain processes
Road Transport/Roads	108 108 598	157 540 455	49 431 857	**31**	Delay in supply chain processes
Water/Water Distribution	33 637	340 000	306 363	**90**	Delay in supply chain processes
Electricity /Electricity Distribution	14 925 415	30 387 539	15 462 124	**51**	Delay in supply chain processes
	131 847 136	**232 738 022**	**100 390 886**	**43**	